

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2009 MAR -3 P 4: 09

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS AGUA FRIA
WATER DISTRICT, HAVASU WATER
DISTRICT, MOHAVE WATER DISTRICT,
PARADISE VALLEY WATER DISTRICT,
SUN CITY WEST WATER DISTRICT AND
TUBAC WATER DISTRICT.

DOCKET NO. W-01303A-08-0227

Arizona Corporation Commission
DOCKETED

MAR - 3 2009

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS MOHAVE
WASTEWATER DISTRICT.

DOCKET NO. SW-01303A-08-0227

**STAFF'S NOTICE OF FILING
SURREBUTTAL TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Surrebuttal Testimony
of Steven M. Olea, Dorothy Hains, Gerald Becker, Gary McMurry, David C. Parcell, Steve Irvine,
and Marvin Millsap of the Utilities Division in the above-referenced matter.

RESPECTFULLY SUBMITTED this 3rd day of March, 2009.

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3rd day of March, 2009 with:

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6 Copy of the foregoing mailed this
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SURREBUTTAL

TESTIMONY

OF

**STEVEN M. OLEA
DOROTHY HAINS
GERALD BECKER
GARY T. MCMURRY
DAVID C. PARCELL
STEVE IRVINE
MARVIN MILLSAP**

**DOCKET NO. W-01303A-08-0227
SW-01303A-08-0227**

**IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY
FOR DETERMINATION OF THE CURRENT
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FOR UTILITY SERVICE BY ITS AGUA FRIA
WATER DISTRICT, HAVASU WATER
DISTRICT, MOHAVE WATER DISTRICT,
PARADISE VALLYE WATER DISTRICT, AND
TUBAC WATER DISTRICT**

AND

**IN THE MATTER OF THE APPLICATION OF
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WASTEWATER DISTRICT**

MARCH 3, 2009

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01303A-08-0227
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DISTRICT, MOHAVE WATER DISTRICT,)
PARADISE VALLEY WATER DISTRICT, AND)
TUBAC WATER DISTRICT)

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WASTEWATER DISTRICT)

SURREBUTTAL

TESTIMONY

OF

STEVEN M. OLEA

ASSISTANT DIRECTOR

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 3, 2009

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Introduction..... 1

INTRODUCTION

Q. Please state your name and business address.

A. Steven M. Olea, 1200 West Washington, Phoenix, Arizona, 85007.

Q. By whom and in what capacity are you employed?

A. I am employed by the Arizona Corporation Commission ("Commission") as the Assistant Director for the Utilities Division ("Division").

Q. Are you the same Steven M. Olea that has previously provided testimony in this case?

A. Yes, I am.

Q. What is the purpose of this surrebuttal testimony?

A. I will be providing Staff's responses to portions of Arizona-American Water Company's ("Az-American" or "Company") rebuttal testimony. Specifically, I will be responding to the Company's testimony in regards to my recommendations regarding the Az-American's Cost of Service Study ("COSS") and the Company's proposal to amend its Water Facilities Hook-Up Fee WHU-1.

Q. With regard to Staff's recommendations regarding the Company's COSS, have any of the Az-American witnesses provided any information in their rebuttal testimony that would cause you to change or modify your recommendation?

A. No, they have not. Staff is still of the opinion that a company with the personnel and sophistication of Az-American should be able to ensure that the water use numbers within its

1 applications to the Commission match throughout those applications. Az-American's
2 purpose is to supply water to its customers, i.e., the product which it sells is water. It would
3 seem reasonable that any business that is in the business of selling a product would be
4 concerned about how much product it produces and how much of that produced product it
5 sells. In Staff's opinion, good business practice dictates a knowledge and understanding of
6 how much product is produced and sold. This should be true even for a regulated water
7 company such as Az-American. This analysis would seem particularly appropriate for a
8 company experiencing poor financial health. Staff believes it is critical for Az-American to
9 implement a procedure whereby it can prove to this Commission that the Company actually
10 knows where its product is going. Unfortunately, in this case, it has been extremely difficult
11 to get water use numbers with which Staff is minimally comfortable utilizing. However,
12 Staff has limited confidence in the numbers provided by the Company. Staff believes that
13 deeming any future rate application insufficient if the water use numbers do not match within
14 that application should provide the proper incentive to the Company to take care of this issue.

15
16 **Q. In its rebuttal testimony, is the Company proposing a change to its Water Facilities**
17 **Hook-Up Fee WHU-1 tariff for its Agua Fria system?**

18 **A.** Yes, the Company is proposing several changes. First, the Company is proposing to change
19 the language in the Applicability and Purpose portions of the tariff. Second, the Company is
20 proposing changes to the definitions portion of the tariff. The third change the Company is
21 proposing is in the Rates portion of the tariff. The fourth area of the tariff the Company
22 proposes to change is the Terms and Conditions.

1 **Q. Does Staff agree or disagree with the changes being proposed by the Company to its**
2 **WHU-1 tariff?**

3 A. At the present, Staff is unable to answer this question. Before Staff is able to make a
4 recommendation to the Commission regarding the Company's proposed changes, Staff
5 would like the Company to provide additional information explaining the purpose and
6 necessity of the changes. Staff would request that the Company provide responses, in its
7 rejoinder testimony, to the following questions:

- 8 1. What is the purpose of combining the Applicability and Purpose portions of the
9 tariff and changing the wording?
- 10 2. What is the purpose of changing the wording in the first paragraph under
11 definitions?
- 12 3. What is the purpose of adding Applicant to the definitions?
- 13 4. What is the purpose of changing the wording in the definition of Main
14 Extension Agreement ("MXA")?
- 15 5. What is the purpose of replacing the term Off-Site Facilities with Common
16 Facilities and changing the wording?
- 17 6. What is the purpose of changing the wording in the definition of Service
18 Connection?
- 19 7. The Company should explain the purpose for each of the changes being
20 proposed in the Terms and Conditions portion of the tariff.
- 21 8. In the first paragraph under Time of Payment, why is payment required 15 days
22 after the MXA is approved and not at the time of the payment for the MXA?
- 23 9. Why is the Company proposing that only Component A be eligible for offset?
24 Does this mean that the MXAs entered into by the Company will not require an
25 Applicant to provide any source of water, since an Applicant will already be
26 providing for its source of water under Component B (the portion paying for the
27 White Tanks Surface Water Treatment Facility)?
- 28 10. The proposed tariff states (section IV.D.), "The Company and Applicant may
29 agree to construction of additional facilities, whether on-site or off-site of the
30 Applicant's development, that are required to serve only the Applicant's
31
32
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1 development, but which are not Distribution Mains under R14-2-401 and which
2 are not subject to refund under R14-2-406(D).” What type of facilities is the
3 Company referring to that would not be refundable under Commission rules?
4

- 5 11. Under Large Subdivision Projects (section IV.F.), the Company uses the word
6 “may” and “should” in several places. Why did the Company not use the word
7 “shall” instead?
8

9 **Q. Will Staff be able to make a recommendation to the Commission once the Company**
10 **answers the above questions?**

11 A. Maybe. Staff reserves the right to ask further questions of the appropriate Company
12 witnesses during cross-examination if the responses provided by the Company to the above
13 questions do not provide Staff with adequate information to make a recommendation or if the
14 Company’s responses lead to further questions.
15

16 **Q. Does this conclude your surrebuttal testimony?**

17 A. Yes, it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

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FOR UTILITY SERVICE BY ITS MOHAVE)	
WASTEWATER DISTRICT)	

SURREBUTTAL TESTIMONY

OF

DOROTHY HAINS

UTILITIES ENGINEER

UTILITIES DIVISION

MARCH 3, 2009

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Dorothy Hains. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Dorothy Hains who has previously filed testimony in this Arizona-American Water Company ("Arizona-American" or "Company") Sun City Sewer and Sun City West Sewer rate proceeding?

A. Yes.

Q. What is the purpose of your Surrebuttal Testimony?

A. In my testimony I will respond to three issues raised in the Company's Rebuttal Testimony. (1) the Company argues against Staff's recommendation in my Direct Testimony that Arizona-American reduce its water loss to below 10 percent before it files its next rate increase application and/or CC&N application and/or financing application, whichever comes first; (2) the Company's proposed small meter replacement program; and (3) the Company also argues against Staff's recommendations in my Direct Testimony to disallow certain plant costs associated with arsenic removal. Staff also would like to take this opportunity to replace the depreciation tables for the water districts of Agua Fria, Havasu, Mohave Water Paradise Valley, Sun City West Water and Tubac. Finally, Staff comments on the Company's plan to construct a central plant treatment option to treat the Tubac District water supply.

II. WATER LOSS

Q. Is water loss in excess of 10 percent a new issue for the districts in question?

A. No. Water loss over 10 percent has been an on going problem in the Company's Mohave Water, Havasu and Paradise Valley districts for some years. The table below is a summary of the water loss in these three districts from 2004 through 2007, the data used to calculate these amounts came from Company Annual Reports. Staff believes this data suggests that the Company has not been aggressive enough in taking action to correct the problem.

Water Loss (%) in district	Havasu	Mohave Water	Paradise Valley
2004	20.8	13.89	10.38
2005	7.54	12.25	10.28
2006	30.46	12.22	12.47
2007	13.34	14.39 ¹	9.59

Although the Company has various on-going meter and other infrastructure replacement programs to address the issue, it is not clear to Staff that the Company has actually implemented these programs in all districts.

Q. The Company argued that it is not cost effective to reduce water loss below 10 percent in the current difficult economic climate. Does Staff agree with the Company?

A. Staff agrees with the Company that to reduce water loss below 10 percent could be costly. However, water loss reduction is part of the Company's routine maintenance program and reasonable costs can be recovered in rates. The Company has an obligation to properly maintain its system even in difficult times. Staff's recommendation provides the Company

¹ 14.39% was water loss occurred in the Bullhead City System in 2007.

1 the opportunity to provide a detailed report demonstrating to the Commission that water
2 loss reduction to less than 10 percent is truly cost prohibitive and not cost effective.

3
4 **Q. Are Staff's recommendations regarding the water loss issue for the Company new?**

5 A. No. Similar recommendations were made by Staff in a previous Company rate case.
6 Staff's water loss recommendations in Docket No. W-01303A-07-0209 were approved by
7 the Commission in Decision No. 70351.

8
9 **III. ARSENIC TREATMENT PLANT TREATMENT CAPACITY ADJUSTMENTS**

10 *Agua Fria Water Arsenic Treatment Plant No. 5*

11 **Q. Please respond to the Company's Rebuttal Testimony.**

12 A. In the Agua Fria system, the Company has installed an arsenic removal plant consisting of
13 four 11-foot ("ft") diameter vessels. Three 11-ft diameter vessels filled with media can
14 adequately remove arsenic to meet the arsenic standard under the manufactures
15 recommended normal loading rate of 5 gallons per minute per square feet ("gpm/sq ft"). In
16 the event one vessel is out of service (for maintenance, etc.), the other two vessels can
17 operate at a rate of 8 gpm/sq ft (which is the manufactures recommended maximum
18 loading rate), therefore 1,520 gpm of treated capacity is available, which is more than
19 enough to treat the 1,400 gpm of total well capacity.

20
21 **Q. Is Staff still recommending a \$143,485 plant adjustment?**

22 A. No. After further review of the invoices for the Agua Fria Arsenic Treatment Plant No. 5,
23 Staff believes that Staff's \$143,485 estimate was overstated and should be reduced.
24 Therefore, Staff's recommended Agua Fria Arsenic Treatment Plant No. 5 plant adjustment
25 is now \$126,352.

Havasu Arsenic Treatment Plant

Q. Does Staff still believe that the arsenic treatment plant in Havasu Water District includes excess capacity? Please explain.

A. Yes. An arsenic treatment plant using media adsorption needs 120 square feet of surface area to remove arsenic when treating a total 600 gpm well capacity (plant is operating at a loading rate of 5gpm/sq ft). Two 14-ft diameter vessels provide a 308 square feet surface area which is more than double the capacity needed. The Company has installed an arsenic treatment plant consisting of two 14-ft diameter vessels.

Q. Does Staff still believe that a 14-ft diameter vessel is adequate? Please explain.

A. A 14-ft diameter vessel filled with media will provide adequate surface area; however, operational problems are created during media replacement by the use of a single vessel. Therefore Staff has concluded that two 10-ft diameter vessels should have been used in lieu of two 14-ft diameter vessels. Two 10-ft diameter vessels should be adequate to treat a 638 gpm flow capacity. In the event one vessel is out of service, the other 10-ft diameter vessel can operate at a rate of 8 gpm/sq ft; thereby providing, a 628 gpm of treatment capacity. This is more than enough to treat the 600 gpm of total well capacity.

Q. Based on the foregoing, did Staff calculate a new plant adjustment for Havasu Water District?

A. No, Staff is still recommending the same plant adjustment of \$143,485 for Havasu Water District. When Staff recalculated a plant adjustment based on a unit cost of \$349/sq ft (approximately \$35.6/gallon) for a 10-ft diameter vessel versus \$344/sq ft (approximately \$30/gallon) for the 14-ft diameter vessel, the cost difference was less than \$400.

1 Therefore, Staff continues to recommend a plant adjustment of \$143,485 for the Havasu
2 Water District.

3
4 *Sun City West Arsenic Treatment Plant No. 2*

5 **Q. Has Staff's position with regard to its Sun City West Arsenic Treatment Plant No. 2**
6 **plant adjustment changed? If so, please explain.**

7 A. After reviewing the Rebuttal Testimony of Company witness Mr. Gross, Staff now
8 understands that the Company operates the subject plant at a total well capacity of 1,790
9 gpm (although the Approval of Construction documented the totaled flow to Plant No 2
10 was 1,700 gpm). Therefore, based on the higher flow rate, Staff now concludes that the
11 Company should have installed four 11-ft diameter vessels instead of four 12-ft diameter
12 vessels. When one 11-ft diameter vessel is out of service, the remaining treatment units
13 would be operated at 8 gpm/sq ft, providing 2,200 gpm of treatment capacity which is more
14 than adequate to treat the total well capacity of 1,790 gpm.

15
16 **Q. Is Staff still recommending a \$143,485 plant adjustment for Sun City West Water**
17 **District?**

18 A. No. Staff's estimated cost for four 11-ft diameter vessels is \$483,300 and its estimated cost
19 for four 12-ft diameter vessels is \$575,380. Therefore, Staff is now recommending a
20 \$92,080 plant adjustment for Sun City West Water District (the difference between
21 \$483,300 and \$575,380 equals \$92,080).

22

IV. DEPRECIATION TABLES FOR WATER DISTRICTS

Q. Please explain why Staff is revising its recommended Depreciation Tables for the water districts in this rate application.

A. With reference to Company Data Request No. 2 (docketed on February 4, 2009), the Company requested that Staff consider revised depreciation rates for computer & peripheral equipment (account #340200), transportation equipment light truck (account #341100) and transportation equipment other (account # 341400). For computer & peripheral equipment (account #340200) and transportation equipment light truck (account #341100), Staff concludes that the Company's latest proposed rates are reasonable. For account #341400 (transportation equipment- other (golf cart)), Staff recommends a 16.67 percent depreciation rate. Staff also corrects several typographical errors in the Depreciation Rate table for the Agua Fria System. The revised depreciation tables containing the depreciation rates Staff now recommends are attached.

V. ARSENIC TREATMENT TUBAC WATER DISTRICT

Q. Have you reviewed the Company's Rebuttal Testimony filed by Jeffery W. Stuck regarding the Company's plan to construct a central plant treatment option to treat the District's water supply?

A. Yes.

Q. Do you agree with the benefits listed by the Company in support of the proposed central plant treatment option?

A. Yes. It is Staff understanding that ADEQ does not recommend Point-Of-Use ("POU") devices in public water systems that serve more than 300 connections (according to the testimony the District had an average of 535 customers during the test year). While Staff

1 has not analyzed the cost estimates presented in Mr. Stuck's testimony it is reasonable to
2 conclude that operations and maintenance costs of a POU option increases significantly
3 when more than 300 connections are served. Staff believes that the Company's proposal is
4 consistent with recommendations provided by ADEQ. Further, ADEQ states in its POU
5 Guidance document, "The establishment of a POU program raises challenging issues for a
6 water system, including increased liability and private property access issues."

7
8 **Q. Does this conclude your Surrebuttal Testimony?**

9 **A. Yes, it does.**

FIGURE 6 (revised)
DEPRECIATION RATES FOR WATER SYSTEMS (Agua Fria Water District)

NARUC Acct #	Company's Account #.	Depreciable Plant	Decision #68310	Rate (%) Agua Fria proposed	Staff Recommended Rate (%)
301	301000	Organization	0	0	0
302	302000	Franchises	0	0	0
303		Land & Land Rights			0
	303200	Land & Land Rights SS	0	0	0
	303300	Land & Land Rights P	0	0	0
	303500	Land & Land Right TD	0	0	0
	303600	Land & Land Right AG	0	0	0
304		Structures & Improvements			
	304100	Structure & Improvement SS	2.50	2.50	2.50
	304200	Structure & Improvement P	1.67	1.67	1.67
	304300	Structures and Improvements WT	1.67	1.67	1.67
	304400	Structure & Improvement TD	0.00	1.67	1.67
	304600	Structure & Improvement office	1.68	2.03	4.63
	304800	Structure & Improvement Misc	0.00	0.00	0.00
305	305000	Collection & Impounding reservoirs	0.00	0.00	2.50
307	307000	Wells & Springs	2.52	2.52	3.33
310	310100	Power Generation Equip Other	0.00	4.42	4.42
311		Pumping Equipment			
	311200	Pump Equipment Electric	4.42	4.42	4.42
	311300	Pump Equipment Diesel	4.42	4.42	4.42
	311500	Pump Equipment Other	4.42	4.42	4.42
320		Water Treatment			
320.1	320100	Water Treatment Equipment	4.00		
	N/A	Water Treatment Equipment Non-Media (arsenic removal equip)	N/A	4.00	7.06
	N/A	Media Water Treatment Equipment (pressurized vessels, arsenic removal equip)	N/A	N/A	5.00
	N/A	Ion Exchange Treatment	N/A	N/A	4.00
320.2	N/A	Equip(arsenic removal equip)	N/A	N/A	5.00
320.3	N/A	Solution Chemical Feeder	N/A	N/A	5.00
	N/A	Sludge Disposal Equipment (arsenic removal plant)	N/A	N/A	5.00
330		Distribution Reservoirs & Standpipes			
	33000	Distribution Reservoirs & Standpipes	1.67	1.67	1.67
330.1	N/A	Storage Tanks	N/A	N/A	1.67
330.2	N/A	Pressure tanks	N/A	N/A	5.00
331		Transmission and Distribution			
	331001	TD mains not classified by size	N/A	1.53	1.53
	331100	TD mains 4-inch & less	N/A	1.53	1.53
	331200	TD mains 6-inch to 8-inch	N/A	1.53	1.53
	331300	TD mains 10-inch to 16-inch	N/A	1.53	1.53
		TD mains 18-inch and larger	N/A	N/A	2.00
	332000	Fire Mains	0.00	0.00	2.00

333	333000	Services	2.48	2.48	2.48
334		Meters			
	334100	Meters	2.51	2.51	2.51
	334200	Meter installations	N/A	2.51	2.51
335	335000	Hydrants	2.00	2.00	2.00
336	N/A	Backflow Prevention Devices	N/A	N/A	6.67
339		Other Plant & Misc Equipment	4.98		
	339100	Other P/E Intangible	N/A	0	0
	339500	Other P/E SS	N/A	0	0
340		Office Furniture & Equipment			
	340100	Office Furniture & Equipments	4.55	4.04	4.04
	340200	Computer & periph equipment	4.55	10.00	10.00
340.1	N/A	Computer Software	N/A	N/A	25.00
341		Transportation Equipment	25.00		
	341100	Transportation Equip, Lt Duty Trucks	N/A	20.00	20.00
	341200	Transportation Equip, heavy Duty Trucks	N/A	25.00	15.00
	341400	Transportation Equipment Other - Golf Carts	N/A	25.00	16.67
342	342000	Store Equipments	3.92	3.92	3.92
343	343000	Tools Shop & Garage Equipments	4.14	4.02	4.02
344	344000	Lab equipments	3.71	0.00	3.71
345	345000	Power operated equipments	5.14	5.20	5.20
346		Communication Equipments			
	346100	Communication Equip non-telephone	10.28	10.30	10.30
	346300	Communication Equip Other	N/A	4.93	4.93

FIGURE 6 (revised)
DEPRECIATION RATES FOR WATER SYSTEMS -Havasu

NARUC Acct #	Company's Account #.	Depreciable Plant	Decision # 68310	Rate (%) proposed	Staff Recommended Rate (%)
301	301000	Organization	0	0	0
302	302000	Franchises	0	0	0
303		Land & Land Rights			0
	303200	Land & Land Rights SS	0	0	
	303300	Land & Land Rights P	0	0	
	303500	Land & Land Right TD	0	0	
	303600	Land & Land Right AG	0	0	
304		Structures & Improvements			
	304100	Structure & Improvement SS	2.79	2.58	2.58
	304200	Structure & Improvement P	0	0.00	0.00
	304300	Structures and Improvements WT	0	0.00	0.00
	304400	Structure & Improvement TD	0	0.00	0.00
	304600	Structure & Improvement office	2.03	2.58	2.58
	304800	Structure & Improvement Misc	N/A	0.00	0.00
305	305000	Collection & Impounding reservoirs	2.54	2.58	2.54
307	307000	Wells & Springs	2.54	2.54	2.54
310	310100	Power Generation Equip Other	5.12	3.83	3.83
311		Pumping Equipment			
	311200	Pump Equipment Electric	3.71	3.83	3.83
	311300	Pump Equipment Diesel	0.00	0.00	0.00
	311500	Pump Equipment Other	0.00	0.00	0.00
320		Water Treatment			
320.1	320100	Water Treatment Plant Equipment	12.00	12.00	7.06
	N/A	Water Treatment Plant (Non-Media arsenic removal equip)	N/A	N/A	5.00
320.2	N/A	Water Treatment Plant (Media arsenic removal equip)	N/A	N/A	5.00
320.3	N/A	Chemical Solution Feeders	N/A	N/A	5.00
	N/A	Sludge Disposal Equipment (arsenic removal equip)	N/A	N/A	5.00
330		Distribution Reservoirs & Standpipes			
	33000		2.33	2.33	2.33
330.1	N/A	Distribution Reservoirs & Standpipes	N/A	N/A	2.33
330.2	N/A	Storage Tank	N/A	N/A	5.00
		Pressure Tank			
331		Transmission and Distribution			
	331001	TD mains not classified by size	2.10		
	331100	TD mains 4-inch & less	N/A	2.10	2.10
	331200	TD mains 6-inch to 8-inch	N/A	2.10	2.10
	331300	TD mains 10-inch to 16-inch	N/A	2.10	2.10
		TD mains 18-inch and larger	N/A	2.10	2.10
		Other Transmission and Distribution	N/A	N/A	2.00
		Fire mains	N/A	N/A	2.00
333	333000	Services	2.89	2.89	2.89

334		Meters	3.52		
	334100	Meters	N/A	3.52	3.52
	334200	Meter installations	N/A	3.52	3.52
335	335000	Hydrants	0.00	1.99	1.99
336	N/A	Backflow Prevention Devices	N/A	N/A	6.67
339		Other Plant & Misc Equipment	N/A		
	339100	Other P/E Intangible		0	0
	3392500	Other P/E SS		0	0
340		Office Furniture & Equipments			
	340100	Office Furniture & Equipments	4.10	4.47	4.47
	340200	Computer & periph equipment	4.10	10.00	10.00
340.1	N/A	Computer Software	N/A	N/A	25.00
341		Transportation Equipment	25.00		
	341100	Transportation Equip, Lt Duty		25.00	20.00
	341200	Trucks		25.00	15.00
	341400	Transportation Equip, heavy Duty			
		Trucks	N/A	25.00	16.67
		Transportation Equipment, Other – Golf Cart			
342	342000	Store Equipments	3.93	3.93	3.93
343	343000	Tools Shop & Garage Equipments	7.55	4.49	4.49
344	344000	Lab equipments	3.06	3.06	3.06
345	345000	Power operated equipments	9.23	2.55	2.55
346		Communication Equipments	4.10		
	346100	Communication Equip non-telephone		8.37	8.37
	346300	Communication Equip Other		6.19	6.19
347		Miscellaneous Equipment	6.19	N/A	6.19

FIGURE 6 (revised)
DEPRECIATION RATES FOR WATER SYSTEMS (Mohave Water District)

NARUC Acct #	Company's Account #.	Depreciable Plant	Decision #69440	Rate (%) Mohave Water proposed	Staff Recommended Rate (%)
301	301000	Organization	0	0	0
302	302000	Franchises	0	0	0
303		Land & Land Rights			
	303200	Land & Land Rights SS	0	0	0
	303300	Land & Land Rights P	0	0	0
	303500	Land & Land Right TD	0	0	0
	303600	Land & Land Right AG	0	0	0
304		Structures & Improvements			
	304100	Structure & Improvement SS	2.83	2.83	2.83
	304200	Structure & Improvement P	2.39	2.39	2.39
	304300	Structures and Improvements WT	2.50	2.50	2.50
	304400	Structure & Improvement TD	1.81	1.81	1.81
	304510	Structure & Improvement AG Cap Lease			
		Structure & Improvement office	4.63	4.63	4.63
	304600	Structure & Improvement Store, Shop,	2.03	2.03	2.03
	304700	Garage			
		Structure & Improvement Misc	4.63	4.63	4.63
	304800		0.00	0.00	0.00
305	305000	Collection & Impounding reservoirs	2.54	2.54	2.54
307	307000	Wells & Springs	2.70	2.70	2.70
310	310100	Power Generation Equip Other	N/A	0.00	5.00
311		Pumping Equipment			
	311200	Pump Equipment Electric	5.12	5.12	5.12
	311300	Pump Equipment Diesel	N/A	0.00	5.00
	311500	Pump Equipment Other	N/A	0.00	5.00
320		Water Treatment			
320.1		Water Treatment Plant Equipment			
	320100	Water Treatment Equipment Non-Media (arsenic removal equip)	12.00	12.00	7.06
	N/A	Water Treatment Equipment -Media (arsenic removal equip)	N/A	N/A	5.00
320.2	N/A	Chemical Solution Feeders	N/A	N/A	5.00
320.3	N/A	Sludge Disposal Equipment (arsenic removal)	N/A	N/A	5.00
330		Distribution Reservoirs & Standpipes			
	33000	Distribution Reservoirs & Standpipes			
		Storage Tank	1.81	1.81	1.81
330.1	N/A	Pressure Tank	N/A	N/A	1.81
330.2	N/A		N/A	N/A	5.00
331		Transmission and Distribution			
	331001	TD mains not classified by size	2.61	2.61	1.53
	331100	TD mains 4-inch & less	2.61	2.61	1.53
	331200	TD mains 6-inch to 8-inch	2.61	2.61	1.53
	331300	TD mains 10-inch to 16-inch	2.61	2.61	1.53

	332000	TD mains 18-inch and larger Fire Mains	N/A N/A	N/A N/A	2.00 2.00
333	333000	Services	5.41	5.41	2.89
334		Meters			
	334100	Meters	6.53	6.53	6.53
	334200	Meter installations	6.53	6.53	6.53
335	335000	Hydrants	1.99	1.99	1.99
336	N/A	Backflow Prevention Devices	N/A	N/A	6.67
339		Other Plant & Misc Equipment	N/A		
	339100	Other P/E Intangible		0	0
	339500	Other P/E SS		0	0
340		Office Furniture & Equipment			
	340100	Office Furniture & Equipments	4.04	4.04	4.04
	340200	Computer & periph equipment	4.04	10.00	10.00
340.1	340300	Computer software	37.71	37.71	25
341		Transportation Equipment			
	341100	Transportation Equip, Lt Duty Trucks	25.00	20.00	20.00
	341200	Transportation Equip, heavy Duty Trucks	N/A	25.00	15.00
	341400	Transportation Equip, Other – Golf Carts	N/A	25.00	16.67
342	342000	Store Equipments	3.93	3.93	3.93
343	343000	Tools Shop & Garage Equipments	11.70	11.70	4.49
344	344000	Lab equipments	3.30	3.30	10.00
345	345000	Power operated equipments	13.90	13.90	4.64
346		Communication Equipments			
	346100	Communication Equip non-telephone	3.66	3.66	3.66
	346200	Communication Equip telephone	9.76	9.76	9.76
	346300	Communication Equip Other	6.19	6.19	6.19

FIGURE 6 (revised)
DEPRECIATION RATES FOR WATER SYSTEMS – Paradise Valley

NARUC Acct #	Company's Account #.	Depreciable Plant	Decision # 68858	Rate (%) proposed	Staff Recommended Rate (%)
301	301000	Organization	0	0	0
302	302000	Franchises	0	0	0
303		Land & Land Rights			
	303200	Land & Land Rights SS	0	0	0
	303300	Land & Land Rights P	0	0	0
	303500	Land & Land Right TD	0	0	0
	303600	Land & Land Right AG	0	0	0
304		Structures & Improvements			
	304100	Structure & Improvement SS	14.59	14.59	2.50
	304200	Structure & Improvement P	3.99	3.99	3.99
	304300	Structures and Improvements WT	2.00	2.00	2.00
	304400	Structure & Improvement TD	1.50	1.50	1.50
	304500	Structure & Improvement AG	4.63	3.99	3.99
	304600	Structure & Improvement office	4.63	0.00	0.00
	304700	Structure & Improvement store, shop, garage	4.63	3.99	3.99
	304800	Structure & Improvement Misc	4.63	3.99	3.99
307	307000	Wells & Springs	2.48	2.48	2.48
310	310100	Power Generation Equip Other	N/A	4.39	4.39
311		Pumping Equipment			
	311200	Pump Equipment Electric	4.39	4.39	4.39
	311300	Pump Equipment Diesel	4.39	4.39	4.39
320		Water Treatment			
320.1	320100	Water Treatment Plant Equip			
		Water Treatment Equipment Non- Media (arsenic removal equip)	7.06	7.06	7.06
320.2	N/A	Chemical Solution Feeders	N/A	N/A	5.00
320.3	N/A	Sludge Disposal Equip (arsenic removal)	N/A	N/A	5.00
330	33000	Distribution Reservoirs & Standpipes	3.15	3.15	3.15
		Distribution Reservoirs & Standpipes			
331		Transmission and Distribution			
	331001	TD mains Not Classified by Sizes	0	0	0
	331100	TD mains 4-inch & less	4.17	4.17	4.17
	331200	TD mains 6-inch to 8-inch	2.52	2.52	2.52
	331300	TD mains 10-inch to 16-inch	2.34	2.34	2.34
		TD mains 18-inch and larger	N/A	N/A	2.00
	332000	Fire Mains	N/A	N/A	2.00
333	333000	Services	4.72	4.72	4.72
334		Meters			
	334100	Meters	7.21	7.21	2.51
	334200	Meter installations	1.51	1.51	1.51
335	335000	Hydrants	2.10	2.10	2.10
336	N/A	Backflow Prevention Devices	N/A	N/A	6.67

339	339600	Other Plant & Misc Equipment Other P/E CPS	0	0.00	0.00
340	340100	Office Furniture & Equipment Office Furniture & Equipments	4.04	4.04	4.04
	340200	Computer & periph equipment	15.89	10.00	10.00
	340500	Other Office Equipment	7.13	7.13	7.13
340.1	340300	Computer software	37.71	37.71	25
341	341100	Transportation Equipment Transportation Equip, Lt Duty Trucks	28.05	20.00	20.00
	341300	Transportation Equip Autos	7.80	7.80	7.80
	341400	Transportation Equip, Other – Golf Carts	0.93	25.00	16.67
342	342000	Store Equipments	N/A	N/A	4.00
343	343000	Tools Shop & Garage Equipments	3.61	3.61	3.61
344	344000	Lab equipments	N/A	N/A	10.00
345	345000	Power operated equipments	4.64	4.64	4.64
346	346100	Communication Equipments Communication Equip non-telephone	9.76	9.76	9.76
	346300	Communication Equip Other	7.91	7.91	4.93

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FIGURE 6 (revised)
DEPRECIATION RATES FOR WATER SYSTEMS (Sun City West Water)

NARUC Acct #	Company's Account #.	Depreciable Plant	Decision #68310	Rate (%) Sun City West Water proposed	Staff Recommended Rate (%)
301	301000	Organization	0	0	0
302	302000	Franchises	0	0	0
303		Land & Land Rights			
	303200	Land & Land Rights SS	0	0	0
	303300	Land & Land Rights P	0	0	0
	303500	Land & Land Right TD	0	0	0
	303600	Land & Land Right AG	0	0	0
304		Structures & Improvements			
	304100	Structure & Improvement SS	2.50	2.50	2.50
	304200	Structure & Improvement P	1.67	1.67	1.67
	304300	Structures and Improvements WT	1.67	1.67	1.67
	304400	Structure & Improvement TD	0	1.67	2.00
	304600	Structure & Improvement office	1.68	2.12	4.63
	304800	Structure & Improvement Misc	0	0.00	0.00
305	305000	Collection & Impounding reservoirs	0.00	0.00	0.00
307	307000	Wells & Springs	2.52	2.52	2.52
310	310100	Power Generation Equip Other		0.00	4.42
311		Pumping Equipment			
	311200	Pump Equipment Electric	4.42	4.42	4.42
	311300	Pump Equipment Diesel	4.42	4.42	5.00
	311500	Pump Equipment Other	4.42	4.42	5.01
320		Water Treatment			
320.1	320100	Water Treatment Equipment			
		Water Treatment Equipment (Non-Media arsenic removal equip)	4.00	4.00	7.06
	N/A	Media Water Treatment Equipment (pressurized vessels arsenic removal equip)	N/A	N/A	5.00
320.2	N/A	Solution Chemical Feeder	N/A	N/A	5.00
320.3	N/A	Sludge Disposal Equipment (arsenic removal)	N/A	N/A	5.00
330		Distribution Reservoirs & Standpipes			
	33000	Distribution Reservoirs & Standpipes	1.67	1.67	1.67
330.1	N/A	Storage Tanks	N/A	N/A	1.67
330.2	N/A	Pressure tanks	N/A	N/A	5.00
331		Transmission and Distribution			
	331001	TD mains not classified by size	1.53		
	331100	TD mains 4-inch & less	N/A	1.53	1.53
	331200	TD mains 6-inch to 8-inch	N/A	1.53	1.53
	331300	TD mains 10-inch to 16-inch	N/A	1.53	1.53
	332000	Fire Mains	0.00	1.53	1.53
333	333000	Services	2.48	2.48	2.48
334		Meters			
	334100	Meters	2.51	2.51	2.51

	334200	Meter installations	N/A	2.51	2.51
335	335000	Hydrants	2.00	2.00	2.00
336	N/A	Backflow Prevention Devices	N/A	N/A	6.67
339		Other Plant & Misc Equipment	4.98		
	339100	Other P/E Intangible		0	0
	339500	Other P/E SS		0	2.00
340		Office Furniture & Equipment			
	340100	Office Furniture & Equipments	4.55	4.59	4.59
	340200	Computer & periph equipment	4.55	10.00	10.00
340.1	N/A	Computer Software	N/A	N/A	25.00
341		Transportation Equipment	25.00		
	341100	Transportation Equip, Lt Duty Trucks	N/A	20.00	20.00
	341200	Transportation Equip, heavy Duty	N/A	25.00	15.00
	341400	Trucks	N/A	25.00	16.67
		Transportation Equip, Other – Golf Carts			
342	342000	Store Equipments	3.92	4.02	3.91
343	343000	Tools Shop & Garage Equipments	4.14	4.02	4.02
344	344000	Lab equipments	3.71	3.71	3.71
345	345000	Power operated equipments	5.14	5.02	5.02
346		Communication Equipments			
	346100	Communication Equip non-telephone	10.28	10.30	10.30
	346300	Communication Equip Other	N/A	4.93	4.93

FIGURE 6 (revised)
DEPRECIATION RATES FOR WATER SYSTEMS (Tubac)

NARUC Acct #	Company's Account #.	Depreciable Plant	Approved Rate (Decision # 67093)	Proposed Rate (%) (Tubac)	Staff Recommended Rate (%)
301	301000	Organization	0	0	0
302	302000	Franchises	0	0	0
303		Land & Land Rights	0		
	303200	Land & Land Rights SS		0	0
	303300	Land & Land Rights P		0	0
	303400	Land & Land Rights WT Land & Land		0	0
	303500	Right TD		0	0
	303600	Land & Land Right AG		0	0
304		Structures & Improvements			
	304100	Structure & Improvement SS	2.40	2.21	2.21
	304200	Structure & Improvement P	1.94	2.21	2.21
	304300	Structures and Improvements WT	0	2.21	2.21
	304400	Structure & Improvement TD	1.92	2.21	2.21
	304600	Structure & Improvement office	2.89	2.21	2.21
	304800	Structure & Improvement Misc		0	0
305	305000	Collection & Impounding reservoirs	0	0	0
307	307000	Wells & Springs	3.08	3.08	3.08
310	310100	Power Generation Equip Other	0	4.24	4.24
311		Pumping Equipment			
	311200	Pump Equipment Electric	4.24	4.24	4.24
	311300	Pump Equipment Diesel	5.00	4.24	4.24
	311500	Pump Equipment Gas/Other	4.24	4.24	4.24
320		Water Treatment			
320.1	320100	Water Treatment Equipment			
	N/A	Water Treatment Equipment (Non-Media arsenic removal equip)	4.00	4.00	7.06
		Media Water Treatment Equipment (pressurized vessels arsenic removal equip)	N/A	N/A	5.00
320.2	N/A	Solution Chemical Feeder	N/A	N/A	5.00
320.3	N/A	Sludge Disposal Equipment (arsenic removal)	N/A	N/A	5.00
330		Distribution Reservoirs & Standpipes			
	33000	Distribution Reservoirs & Standpipes	1.62	1.62	1.62
330.1	N/A	Storage Tanks	N/A	N/A	2.22
330.2	N/A	Pressure Tanks	N/A	N/A	5.00
331		Transmission and Distribution	1.97		
	331001	TD mains not classified by size		1.97	1.97
	331100	TD mains 4-inch & less		1.97	1.97
	331200	TD mains 6-inch to 8-inch		1.97	1.97
	331300	TD mains 10-inch to 16-inch		2.34	2.34
333	333000	Services	2.45	2.45	2.45
334		Meters	2.42		
	334100	Meters		2.42	2.42

	334200	Meter installations		2.42	2.42
335	335000	Hydrants	1.97	1.97	1.97
336	N/A	Backflow Prevention Devices	N/A	N/A	6.67
339		Other Plant & Misc Equipment			
	339100	Other P/E Intangible		0	0
	339500	Other P/E TD		0.00	0.00
340		Office Furniture & Equipment			
	340100	Office Furniture & Equipments	3.28	10.83	3.28
	340200	Computer & periph equipment	3.28	10.00	10.00
340.1	N/A	Computer Software	N/A	N/A	25.00
341		Transportation Equipment	25.00		
	341100	Transportation Equip, Lt Duty Trucks	N/A	20.00	20.00
	341200	Transportation Equip, heavy Duty	N/A	25.00	15.00
	341400	Trucks	N/A	25.00	16.67
		Transportation Equip, Other – Golf Carts			
342	342000	Store Equipments	4.00	3.59	3.59
343	343000	Tools Shop & Garage Equipments	3.42	3.59	3.59
344	344000	Lab equipments	0.00	0.0	0.0
345	345000	Power operated equipments	0.00	4.64	4.64
346		Communication Equipments			
	346100	Communication Equip non-telephone	5.03	5.03	5.03
	346300	Communication Equip Other (misc)	4.93	4.93	4.93

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01303A-08-0227
ARIZONA-AMERICAN WATER COMPANY)
FOR DETERMINATION OF THE CURRENT)
FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES BASED THEREON)
FOR UTILITY SERVICE BY ITS AGUA FRIA)
WATER DISTRICT, HAVASU WATER)
DISTRICT, MOHAVE WATER DISTRICT,)
PARADISE VALLEY WATER DISTRICT, AND)
TUBAC WATER DISTRICT)

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. SW-01303A-08-0227
ARIZONA-AMERICAN WATER COMPANY)
FOR DETERMINATION OF THE CURRENT)
FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES BASED THEREON)
FOR UTILITY SERVICE BY ITS MOHAVE)
WASTEWATER DISTRICT)

SURREBUTTAL

TESTIMONY

OF

GERALD BECKER

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 3, 2009

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ATTACHMENT

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SCHEDULES

Agua Fria Water System:

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Rate Base – Original Cost.....	GWB-3
Summary of Original Cost Rate Base Adjustments.....	GWB-4
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Havasu Water System:

Revenue Requirement.....	GWB-1
Gross Revenue Conversion Factor.....	GWB-2
Rate Base – Original Cost.....	GWB-3
Summary of Original Cost Rate Base Adjustments.....	GWB-4
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Mohave Water System

Revenue Requirement.....	GWB-1
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Rate Base – Original Cost.....	GWB-3
Summary of Original Cost Rate Base Adjustments.....	GWB-4
Rate Base Adjustment #1 – Plant, Accumulated Depreciation & AIAC.....	GWB-5
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Summary of Operating Income Adjustments – Test Year	GTM-11
Operating Income Adjustment #1 – Tank Maintenance Accrual.....	GTM-12
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Mohave Wastewater System

Revenue Requirement.....	GWB-1
Gross Revenue Conversion Factor.....	GWB-2
Rate Base – Original Cost.....	GWB-3
Summary of Original Cost Rate Base Adjustments.....	GWB-4
Rate Base Adjustment #1 – Plant, Accumulated Depreciation & AIAC	GWB-5
Rate Base Adjustment #2 – Working Capital	GWB-6
Rate Base Adjustment #3 – Imputed Regulatory AIAC	GWB-7
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Rate Base Adjustment #6 – CIAC in CWIP	GWB-9A
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Summary of Operating Income Adjustments – Test Year	GTM-11
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Operating Income Adjustment #4 – Property Tax Expense.....	GTM-13
Operating Income Adjustment #5 – Income Tax Expense	GTM-14

Paradise Valley Water System

Revenue Requirement.....	GWB-1
Gross Revenue Conversion Factor.....	GWB-2
Rate Base – Original Cost.....	GWB-3
Summary of Original Cost Rate Base Adjustments.....	GWB-4
Rate Base Adjustment #1 – Plant, Accumulated Depreciation & AIAC	GWB-5
Rate Base Adjustment #2 – Working Capital	GWB-6
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Sun City West Water System

Revenue Requirement.....	GWB-1
Gross Revenue Conversion Factor.....	GWB-2
Rate Base – Original Cost.....	GWB-3
Summary of Original Cost Rate Base Adjustments.....	GWB-4
Rate Base Adjustment #1 – Plant, Accumulated Depreciation & AIAC	GWB-5
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Rate Base Adjustment #3 – Imputed Regulatory AIAC	GWB-7
Rate Base Adjustment #4 – Deferred Debits	GWB-8
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Operating Income Statement – Test Year and Staff Recommended.....	GWB-10
Summary of Operating Income Adjustments – Test Year	GTM-11
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Operating Income Adjustment #2 – Depreciation Expense	GTM-13
Operating Income Adjustment #4 – Property Tax Expense.....	GTM-14
Operating Income Adjustment #5 – Income Tax Expense	GTM-15

Tubac Water System

Revenue Requirement.....	GWB-1
Gross Revenue Conversion Factor.....	GWB-2
Rate Base – Original Cost.....	GWB-3
Summary of Original Cost Rate Base Adjustments	GWB-4
Rate Base Adjustment #1 – Working Capital	GWB-5
Rate Base Adjustment #2 – Imputed Regulatory AIAC	GWB-6
Rate Base Adjustment #3 – Deferred Debits	GWB-7
Rate Base Adjustment #4 – AIAC in CWIP	GWB-8
NOT USED.....	GWB-9
Operating Income Statement – Test Year and Staff Recommended.....	GWB-10
Summary of Operating Income Adjustments – Test Year	GTM-11
Operating Income Adjustment #2 – Depreciation Expense	GTM-12
Operating Income Adjustment #4 – Property Tax Expense.....	GTM-13
Operating Income Adjustment #5 – Income Tax Expense	GTM-14

EXECUTIVE SUMMARY
ARIZONA-AMERICAN WATER COMPANY
DOCKET NOS. W-01303A-08-0227 AND SW-01303A-08-0227

The Surrebuttal Testimony of Staff witness Gerald W. Becker addresses the following issues:

Revenue Requirement – The following table presents the test year revenue, Staff's recommended revenue, and the increase/(decrease) in dollars and percent.

	Staff As Adjust Test Year	Staff Recommended	Increase/Decrease in Dollars	Increase/Decrease in Percent
AF Water	\$ 18,818,613	\$ 21,377,068	\$ 2,558,455	13.6%
Havasu	\$ 1,026,587	\$ 1,408,318	\$ 381,731	37.2%
Mohave Water	\$ 5,113,631	\$ 5,345,121	\$ 231,490	4.5%
Mohave Wastewater	\$ 796,161	\$ 722,274	\$ (73,887)	-9.3%
Paradise Valley	\$ 7,848,732	\$ 9,470,254	\$ 1,621,522	20.7%
Sun City West Water	\$ 5,701,431	\$ 9,153,703	\$ 3,452,272	60.6%
Tubac	\$ 426,900	\$ 626,781	\$ 216,734	50.8%
Overall	\$ 39,732,055	\$ 48,120,372	\$ 8,388,317	21.1%

Rate Base – The following table presents the rate base as initially proposed in the Company's application, Staff's recommendation and the amount of Staff's adjustment in dollars and percent.

	Company Proposed (Per Application)	Staff Recommended	Staff Adjustment	Increase/Decrease in Percent
AF Water	\$ 96,976,395	\$ 59,516,712	\$(37,459,683)	-38.6%
Havasu	\$ 4,221,474	\$ 3,791,385	\$ (430,089)	-10.2%
Mohave Water	\$ 12,041,310	\$ 8,909,632	\$ (3,131,678)	-26.0%
Mohave Wastewater	\$ 4,740,149	\$ 647,244	\$ (4,092,905)	-86.3%
Paradise Valley	\$ 40,864,986	\$ 38,855,656	\$ (2,009,330)	-4.9%
Sun City West Water	\$ 37,901,086	\$ 37,239,151	\$ (661,935)	-1.7%
Tubac	\$ 1,527,454	\$ 1,428,225	\$ (99,229)	-6.5%
Overall	\$ 198,272,854	\$ 150,284,760	\$(47,988,094)	-24.2%

Test Year Operating Income – Staff's adjusted test year operating income is discussed in the testimony of Gary McMurry and is shown for each system on the attached Surrebuttal Schedule GTM-11.

Response to the Rebuttal Testimony of Mr. Thomas M. Broderick –

1. Imputed Regulatory Advances in Aid of Construction (“IR AIAC”) – Staff disagrees with the Company’s request for post test year amortization of IR AIAC. Staff maintains that the amortization of IR AIAC should coincide with the end of the test year.

Staff response to Rebuttal Testimony of Ms. Linda J. Gutowski –

Agua Fria Water District:

1. Post Test Year Plant – Staff disagrees with the Company’s rebuttal position to include in rate base \$1,189,832 for the Rancho Cabrillo Subdivision.
2. Post Test Year Plant – Staff disagrees with the Company’s rebuttal position to include in rate base \$1,794,294 for the Sierra Montana 2.2 Mg Reservoir. The \$1,794,294 is the updated amount of the \$2,046,765 recommended for disallowance in Staff’s direct testimony.
3. Post Test Year Plant (“CWIP”) – Staff disagrees with the Company’s rebuttal position to include in rate base \$25,000,000 for the White Tanks Plant.
4. Accumulated Depreciation – Staff agrees with the Company’s rebuttal position that the sign on the adjustment of \$7,532 to Accumulated Depreciation in Staff’s Direct Testimony should be reversed.
5. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Havasu Water District:

1. Test Year Plant – Staff accepts the Company’s newly filed position to transfer the plant, accumulated depreciation and related AIAC/CIAC for the Gateway plant from Havasu Water to Mohave Water.
2. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Mohave Water District:

1. Post Test Year Plant – Staff disagrees with the Company’s rebuttal position to include in rate base \$643,127 for post test year plant. This is the update amount related to Staff’s recommended adjustment of \$610,731 in Staff’s Direct Testimony.

2. Test Year Plant – Staff disagrees with the Company’s rebuttal position to include in rate base \$1,539,768 for three projects lacking invoices.
3. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Mohave Wastewater District:

1. Post Test Year Plant – Staff disagrees with the Company’s rebuttal position to include in rate base \$3,932,808 for post test year plant for costs associated with the upgrade and expansion of the Wishing Well Treatment Plant.
2. Test Year Plant – Staff disagrees with the Company’s rebuttal position to include in rate base \$306,362 for three projects lacking invoices.
3. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Paradise Valley Water District:

1. Accumulated Depreciation – Staff agrees with the Company’s rebuttal position to increase accumulated depreciation by \$100,554 to correct a math error in its filing.
2. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Sun City West Water District:

1. Test Year Plant – The Company states that Staff’s adjustment of \$70,000 to increase the balance in both the plant and accumulated depreciation accounts should be \$76,672. Staff accepts the additional \$6,672 for both, with no net impact on rate base.
2. AIAC/CIAC in Rate Base – Staff has revisited the Company’s position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company’s position.

Tubac Water District:

1. AIAC/CIAC in Rate Base – Staff has revisited the Company's position that AIAC and CIAC pertaining to CWIP should not be included in the calculation of rate base because the offsetting plant is not in rate base, and Staff disagrees with the Company's position.

Staff response to Rebuttal Testimony of Ms. Sheryl L. Hubbard –

1. Cash Working Capital – The Company states that there are formulaic errors in Staff's calculation of cash working capital along with incorrect amounts for taxes in some districts. The Company also alleges Staff inappropriately used the expense lags of Mohave Water for the Mohave Wastewater calculation. Staff has corrected its formulaic errors and updated the tax amounts used to reflect the taxes on proposed revenues as opposed to test year revenues. However, Staff continues to apply the same expense lags for all districts.
2. White Tanks – The Company states that Staff's recommendation to excluded \$25 million of CWIP from rate base will create dire consequences for the Company and that the Company may have to consider mothballing or selling the facility.

Arsenic Treatment Plant – Excess Capacity –

1. Staff has identified and adjusted for excess capacity in the Agua Fria, Havasu and Sun City West Water systems.

Tubac Arsenic Options –

1. The Company has described two options to remediate arsenic in its Tubac system. Staff has performed a financial analysis for informational purposes.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Gerald Becker. I am a Public Utilities Analyst V employed by the Arizona
4 Corporation Commission ("Commission") in the Utilities Division ("Staff"). My business
5 address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Are you the same Gerald Becker who previously submitted Direct Testimony in this**
8 **case?**

9 A. Yes, I am.
10

11 **PURPOSE OF SURREBUTTAL TESTIMONY**

12 **Q. What is the purpose of your Surrebuttal Testimony in this proceeding?**

13 A. The purpose of my Surrebuttal Testimony in this proceeding is to respond, on behalf of
14 Staff to the Rebuttal Testimonies of Mr. Thomas M. Broderick, Ms. Linda J. Gutowski,
15 and Ms. Sheryl L. Hubbard who represent Arizona-American Water Company Inc. -
16 ("Arizona American" or "Company").

17
18 **Q. Do you attempt to address every issue raised by the Company in its Rebuttal**
19 **Testimony?**

20 A. No. I limit my discussion to certain issues as outlined below. My silence on any
21 particular issue raised in the Company's Rebuttal Testimony does not indicate that Staff
22 agrees with the Company's stated Rebuttal position on the issue. I rely on my Direct
23 Testimony unless modified by this Surrebuttal Testimony.
24

1 **Q. What issues will you address?**

2 A. I address the issues listed below that are discussed in the Rebuttal Testimonies of
3 Company witnesses Mr. Thomas M. Broderick, Ms. Linda J. Gutowski, and Ms. Sheryl L.
4 Hubbard. In addition, I address the excess capacity in arsenic treatment plants. Further, I
5 discuss a financial analysis of arsenic treatment alternatives in Tubac. I am also
6 sponsoring the attached Schedules GWB-1 through GWB-10 for the various districts.

7
8 Thomas M Broderick:

- 9 1. Imputed Regulatory Advances ("IR AIAC").

10
11 Linda J. Gutowski:

12 Rate Base

- 13 1. Post Test Year Plant
14 2. Test Year Plant not supported by invoices
15 3. Accumulated Depreciation
16 4. Transfer of Gateway Plant from Havasu Water to Mohave Water
17 5. AIAC/CIAC in CWIP

18
19 Sheryl L. Hubbard:

- 20 1. Working Capital
21 2. White Tanks Plant

22
23 Overcapacity of arsenic treatment plant – Agua Fria, Havasu, and Sun City West.
24 Tubac Arsenic Remediation Options.

25

SUMMARY OF RECOMMENDATIONS

Q. Please provide a summary of Staff surrebuttal recommendations.

A. Table 1 shows Staff's adjusted test year revenue, Staff's recommended revenue requirement and the recommended revenue increase over the test year amounts in dollars and percent for each district. The recommended revenue for each district provides an operating income reflecting a 7.34 percent rate of return on the fair value rate base. The Company proposed (initial filing) and Staff recommended rate bases for each district are shown in Table 2 along with the Staff adjustments shown in dollars and percent.

Table 1

Staff Test Year and Recommended Revenue

	Staff As Adjust Test Year Revenue	Staff Recommended Revenue Requirement	Increase/Decrease in Dollars	Increase/Decrease in Percent
AF Water	\$ 18,818,613	\$ 21,377,068	\$ 2,558,455	13.6%
Havasui	\$ 1,026,587	\$ 1,408,318	\$ 381,731	37.2%
Mohave Water	\$ 5,113,631	\$ 5,345,121	\$ 231,490	4.5%
Mohave Wastewater	\$ 796,161	\$ 722,274	\$ (73,887)	-9.3%
Paradise Valley	\$ 7,848,732	\$ 9,470,254	\$ 1,621,522	20.7%
Sun City West Water	\$ 5,701,431	\$ 9,153,703	\$ 3,452,272	60.6%
Tubac	\$ 426,900	\$ 626,781	\$ 216,734	50.8%
Overall	\$ 39,732,055	\$ 48,120,372	\$ 8,388,317	21.1%

Table 2

Rate Base - Company Proposed and Staff Recommended

Rate Base	Per Application	Staff Surrebuttal		% Difference
	Company Proposed	Recommended	Difference	
AF Water	\$ 96,976,395	\$ 59,516,712	\$37,459,683)	-38.6%
Havasu	\$ 4,221,474	\$ 3,791,385	\$ (430,089)	-10.2%
Mohave Water	\$ 12,041,310	\$ 8,909,632	\$(3,131,678)	-26.0%
Mohave Wastewater	\$ 4,740,149	\$ 647,244	\$(4,092,905)	-86.3%
Paradise Valley	\$ 40,864,986	\$ 38,855,656	\$(2,009,330)	-4.9%
Sun City West Water	\$ 37,901,086	\$ 37,239,151	\$ (661,935)	-1.7%
Tubac	\$ 1,527,454	\$ 1,428,225	\$ (99,229)	-6.5%
			\$	
Overall	\$ 198,272,854	\$ 150,284,760	(47,988,094)	-24.2%

RESPONSE TO REBUTTAL TESTIMONY OF THOMAS M. BRODERICK

Imputed Regulatory Advances and Contributions

Q. Please describe the treatment proposed by the Company in this filing.

A. The Company proposed amortization of IR AIAC beyond the end of the test year ending December 31, 2007, to extend the amortization through the date it anticipated rates in this proceeding would become effective.

Q. Did Staff recommend this treatment in its Direct Testimony?

A. No. In accordance with ratemaking principles, Staff recommends that amortization not be extended after the end of the test year ending December 31, 2007.

Q. Is Staff now in agreement with the Company's amortization period?

A. No.

Q. What does Staff recommend?

A. Staff recommends IR AIAC amounts as shown on each system's rate base schedule.

RESPONSE TO REBUTTAL TESTIMONY OF LINDA J. GUTOWSKI

Agua Fria Water District:

Test Year Plant: Rancho Cabrillo

Q. Why did Staff remove \$1,189,832 of plant pertaining to Rancho Cabrillo in its Direct Testimony?

A. During its examination of the Company's records, Staff selected capital additions pertaining to the Rancho Cabrillo subdivision. The Company was unable to provide adequate documentation for these plant additions and that the Company can demonstrate that it is used and useful. In a subsequent communication with Staff, the Company stated that it would agree to removal of the unsupported amounts from rate base. A copy of that e-mail is attached.

Q. What is the Company basis for again changing its position and now requesting to include the unsupported Rancho Cabrillo plant additions in rate base?

A. The Company asserts that the amounts should be included in rate base because the Staff engineer did not make any determination that the associated plant was not used and useful.

Q. Is a determination of used-and-useful the sole requirement for inclusion in rate base?

A. No. The issue at hand is one of valuation and adequate record keeping. Pursuant to the Commissions rules and regulations the Company is required to maintain adequate records to verify the cost of plant additions in accordance with the NARUC Uniform System of Accounts. The rules state that utility shall be required to furnish the Commission with the details to support the recorded valuation. The Company does not have records to support and verify the claimed cost of its plant additions in Rancho Cabrillo.

1 **Q. What does Staff recommend?**

2 A. In the absence of supporting documentation, Staff recommends disallowance of the
3 amounts until the Company can provide adequate documentation or that the Company can
4 demonstrate that the plant is in place and it is used and useful. Staff further recommends
5 that the Company attempt to obtain missing documentation to support its plant amounts.
6

7 *Post Test Year Plant - Sierra Montana*

8 **Q. Please describe the treatment proposed by the Company in this filing.**

9 A. The Company proposes to include in rate base \$1,794,294 for the expansion of the Sierra
10 Montana 2.2 Mg Reservoir as post test year plant.
11

12 **Q. Did Staff recommend this treatment in its Direct Testimony?**

13 A. No. Staff recommended disallowance.
14

15 **Q. What is reflected in the Company's rebuttal testimony for this amount?**

16 A. The Company states that the associated plant is now valued at \$1,794,295 versus the
17 \$2,046,765 in its filing and that this plant was placed in service in December 2008 and
18 that it should be included.
19

20 **Q. Does Staff agree with the Company's position?**

21 A. No.
22

23 **Q. Please explain.**

24 A. Staff maintains the same positions as discussed in Staff's Direct Testimony:
25

26 *"Post test year plant is usually mismatched with the revenues, expenses, and rate*
27 *base of the test year. Matching is a fundamental principle of accounting and*

1 *rate-making. The absence of matching distorts the meaning of and reduces the*
2 *usefulness of operating income and rate of return for measuring the fairness and*
3 *reasonableness of rates. Accordingly, recognizing post test year plant in rate*
4 *base is generally appropriate only in special and unusual cases where failure to*
5 *do so would create an inequity. Staff had traditionally recognized two such*
6 *cases:*

- 7
8 1. *When the magnitude of the investment relative to the utility's total*
9 *investment is such that not including the post test year plant in the cost of*
10 *service would jeopardize the utility's financial health; and*
11
12 2. *When conditions such as the following exist:*
13 a. *The cost of the post test year plant is significant and substantial,*
14 b. *The net impact on revenue and expenses for the post test year plant*
15 *is known and insignificant, or is revenue neutral,*
16 c. *The post test year plant is prudent and necessary for the provision*
17 *of services and reflects appropriate, efficient, effective and timely*
18 *decision-making."*¹

19
20 **Q. Based on Staff's review, did the Company satisfy these criteria?**

21 A. No. These criteria are not satisfied.
22

23 **Q. What does Staff recommend?**

24 A. Staff recommends disallowance of the post test year plant for the Sierra Montana 2.2 Mg
25 reservoir.
26

27 *Post Test Year Plant - White Tanks CWIP*

28 **Q. Please describe the treatment proposed by the Company in this filing.**

29 A. The Company proposes to include in rate base \$25,000,000 of CWIP for its White Tanks
30 Project.
31

32 **Q. Did Staff recommend this treatment in its Direct Testimony?**

33 A. No. Staff recommended disallowance.

¹ Page 20 of Direct Testimony of Gerald Becker of January 13, 2009.

1 **Q. What is reflected in the Company's rebuttal for this amount?**

2 A. The Company still seeks \$25,000,000 of CWIP for its White Tanks Project.

3
4 **Q. Does Staff agree with the Company's position?**

5 A. No.

6
7 **Q. Did the Company propose alternatives to recover the cost of CWIP?**

8 A. The Company proposes to recover these costs through a temporary surcharge to Agua Fria
9 customers that is estimated to be \$9.09 per month. Alternatively, the Company suggests
10 the implementation of a valley wide 'renewable-water-supply surcharge' that would be
11 assessed to all customers still on groundwater but the Company does not state the amount
12 of the estimated surcharge.

13
14 **Q. What does Staff recommend?**

15 A. Staff recommends disallowance of the post test year plant for the White Tanks Plant as
16 further discussed in response to Ms. Hubbard below. Additionally, Staff does not
17 recommend any of the surcharges as alternatives to placing CWIP in rate base.

18
19 *Accumulated Depreciation*

20 **Q. Did the Company identify an error in Staff's calculation of Accumulated**
21 **Depreciation?**

22 A. Yes. The Company correctly noted that Staff's adjustment to decrease accumulated
23 depreciation in Schedule GWB-5 for the Agua Fria District was calculated as an increase
24 to accumulated depreciation.

25

1 **Q. Has Staff corrected the error?**

2 A. Yes. Staff has made this correction in its surrebuttal schedules.
3

4 *CIAC/AIAC in CWIP*

5 **Q. Please describe how CIAC and AIAC relates to plant in service and rate base.**

6 A. CIAC and AIAC represent funds or plant provided to the Company by parties other than
7 investors. Typically, funds received as CIAC or AIAC are used to build plant which may
8 ultimately be in rate base. Plant that is used and useful for the provision of utility service
9 is a components of rate base. CIAC and AIAC are also components of rate base. As
10 components of rate base, plant differs from CIAC and AIAC in that plant increases rate
11 base and CIAC and AIAC decrease rate base. Plant that is under construction ("CWIP")
12 is normally not a component of the rate base calculation. Thus, funds received as CIAC or
13 AIAC that are funding CWIP are included in the rate base calculation while the CWIP is
14 not included in the rate base calculation. As a result, the plant included in the rate base
15 calculation may not equal CIAC and AIAC funds received.
16

17 **Q. Please describe the Company's position.**

18 A. The Company asserts that it has received CIAC and AIAC for plant not yet completed and
19 reflected in its rate base. The Company further states that since CWIP is not an addition
20 to rate base, then related CIAC and AIAC should not be a reduction in the rate base
21 calculation.
22

23 **Q. Is the Company's position is a departure from traditional ratemaking practices?**

24 A. Yes. The Company's position is a departure from traditional ratemaking practices.
25

1 **Q. Please explain.**

2 A. The Company has use of the funds advanced or contributed by others, regardless of how
3 the funds are used, therefore, investors commit less funds for utility purposes.
4 Accordingly, the Company's rate base should be reduced by the CIAC and AIAC
5 regardless of how it is used. The fact that the associated CWIP is not in rate base is
6 irrelevant. CWIP is one example of how not recognizing CIAC and AIAC as a deduction
7 in the calculation of rate base results in excess earnings. The Company can record an
8 allowance for funds used during construction ("AFUDC") to CWIP balances to earn a
9 return on construction expenditure funded by CIAC and AIAC. AFUDC is a form of
10 earnings. Thus, the Company is earning on funds not provided by investors. Reducing
11 rate base by CIAC and AIAC preserves the ratemaking balance and removes this excess
12 earnings potential.

13
14 **Q. What does Staff recommend?**

15 A. Staff recommends that the CIAC and AIAC funds the Company asserts are in CWIP be
16 reflected in the CIAC and AIAC balances used to calculate and properly reflect a
17 reduction to rate base. For the Agua Fria system, a \$3,432,286 adjustment to increase
18 CIAC is appropriate.

19
20 **Havasu Water District**

21 *Transfer of Gateway Plant*

22 **Q. Please describe the treatment proposed by the Company in this filing.**

23 A. The Company proposes to transfer to \$721,333 of plant, \$14,000 of accumulated
24 depreciation, and \$656,267 of AIAC from its Havasu Water to Mohave Water for plant
25 known as Gateway.
26

1 **Q. Did Staff recommend this treatment in its Direct Testimony?**

2 A. No. The Company had not disclosed this adjustment to Staff.

3
4 **Q. Does Staff agree with the Company's adjustment?**

5 A. Staff agrees with the Company's proposal that transferring the plant from Havasu Water to
6 Mohave Water is appropriate and that the proposed amounts for plant and AIAC are
7 correct. However, Staff disagrees with the proposed amount as it relates to Accumulated
8 Depreciation.

9
10 **Q. Please explain.**

11 A. The Company wishes to increase the Accumulated Depreciation on its Mohave Water
12 District by \$45,790 as compared with the \$14,000 decrease on the Havasu Water system.

13
14 **Q. Was the Company able to reconcile the amounts?**

15 A. No. The Company was unable to provide a detailed explanation of the differences.

16
17 **Q. What does Staff recommend?**

18 A. Staff recommends a decrease to plant of \$721,333, a decrease to Accumulated
19 Depreciation in amount of \$45,790, and a decrease to AIAC in the amount of \$656,267, to
20 the Havasu Water District with corresponding adjustments to the Mohave Water District.

21
22 *CIAC/AIAC in CWIP*

23 **Q. Has the Company requested the exclusion of CIAC or AIAC associate with CWIP as**
24 **in the Agua Fria District above?**

25 A. Yes. The Company's excludes \$10,645 from CIAC with a corresponding reduction to rate
26 base.

1 **Q. What does Staff recommend?**

2 A. Staff recommends an increase to CIAC of \$10,645 for the Havasu Water District.

3
4 **Mohave Water District:**

5 *Post Test Year Plant*

6 **Q. Has the Company requested the inclusion of post test year plant as in the Agua Fria**
7 **District above?**

8 A. Yes. The Company's rebuttal position is to include in rate base \$643,127 for post test
9 year plant. This is the updated amount corresponding with Staff's Direct Testimony
10 recommendation to disallow \$610,731 of post test year plant.

11
12 **Q. Does Staff recommend including post test year plant in this case?**

13 A. No. For reasons described above in the Agua Fria section, Staff recommends
14 disallowance of these amounts.

15
16 *Test Year Plant – WinterHaven, Stonebridge and Mira Monte*

17 **Q. Has the Company requested the inclusion of test year plant that is not adequately**
18 **supported by documentation?**

19 A. Yes. The Company's rebuttal position is to include in rate base \$1,539,768 for test year
20 plant lacking invoices.

21
22 **Q. Does Staff recommend including test year plant in this case?**

23 A. No. For reasons described above in the Agua Fria section, Staff disagrees with the
24 Company's rebuttal position to include in rate base \$1,539,768. Staff recommends
25 disallowance of the amounts until the Company can provide adequate documentation or
26 that the Company can demonstrate that the plant is in place and it is used and useful. Staff

1 further recommends that the Company attempt to obtain missing documentation to support
2 its plant amounts.

3
4 *CIAC/AIAC in CWIP*

5 **Q. Has the Company requested to exclude CIAC or AIAC associate with CWIP?**

6 A. Yes. The Company excludes \$94,452 of CIAC and \$291,909 of AIAC from its
7 calculation of rate base. Since CIAC and AIAC reduce rate base the Company's exclusion
8 overstates rate base.

9
10 **Q. What does Staff recommend?**

11 A. Staff recommends adjustments to increase to CIAC by \$94,452 and AIAC by \$291,909 for
12 the Mohave Water system resulting in corresponding decreases to rate base.

13
14 *Transfer of Gateway Plant*

15 **Q. Please describe the treatment proposed by the Company in this filing.**

16 A. The Company now proposes to transfer to \$721,333 of plant, \$45,790 of accumulated
17 depreciation, and \$656,267 of AIAC from its Havasu Water to Mohave Water for plant
18 known as Gateway.

19
20 **Q. Did Staff recommend this treatment in its Direct Testimony?**

21 A. No. The Company had not disclosed this adjustment to Staff in its initial filing.

22
23 **Q. Does Staff agree with the Company's adjustment?**

24 A. Staff agrees with that transferring the plant from Havasu Water is appropriate and that the
25 proposed amounts for plant and AIAC are correct. However, Staff disagrees with the
26 proposed amount for transferring Accumulated Depreciation.

1 **Q. Please explain.**

2 A. The Company wishes to increase the Accumulated Depreciation on its Mohave Water
3 District by \$45,790 as compared with the \$14,000 decrease on the Havasu Water system.

4
5 **Q. Was the Company able to reconcile the amounts?**

6 A. No. The Company was unable to provide a detailed explanation of the differences.

7
8 **Q. What does Staff recommend?**

9 A. Staff recommends transferring the plant from Havasu resulting in an increase to plant of
10 \$721,333, an increase to Accumulated Depreciation in amount of \$45,790, and an increase
11 to AIAC in the amount of \$656,267 and corresponding adjustments to the Havasu Water
12 District as discussed above.

13
14 **Mohave Wastewater District:**

15 *Post Test Year Plant-Wishing Well Treatment Plant*

16 **Q. Has the Company requested the inclusion of post test year plant as in the Agua Fria**
17 **District above?**

18 A. Yes. The Company's rebuttal position is to include in rate base \$3,932,808 for post test
19 year plant.

20
21 **Q. Does Staff recommend including post test year plant in this case?**

22 A. No. For reasons described above in the Agua Fria section, Staff recommends
23 disallowance of these amounts.

24

Test Year Plant – Mesa Vista and Sage Hill

Q. Has the Company requested the inclusion of test year plant that is not adequately supported by documentation?

A. Yes. The Company's rebuttal position is to include in rate base \$306,362 for test year plant lacking invoices.

Q. Does Staff recommend including test year plant in this case?

A. No. For reasons described above in the Agua Fria section, Staff disagrees with the Company's rebuttal position to include in rate base \$306,362. Staff recommends disallowance of the amounts until the Company can provide adequate documentation or that the Company can demonstrate that the plant is in place and it is used and useful. Staff further recommends that the Company attempt to obtain missing documentation to support its plant amounts.

CIAC/AIAC in CWIP

Q. Has the Company requested to exclude CIAC or AIAC associate with CWIP as in the Agua Fria District above?

A. Yes. The Company proposes to exclude \$65,395 of CIAC from its calculation of rate base. Since CIAC reduces rate base, the Company's exclusion overstates rate base.

Q. What does Staff recommend?

A. Staff recommends an adjustment to increase CIAC by \$65,395 for the Mohave Wastewater District resulting in a corresponding decrease to rate base.

Paradise Valley Water District:

CIAC/AIAC in CWIP

Q. Has the Company requested to exclude CIAC or AIAC associate with CWIP as in the Agua Fria system above?

A. Yes. The Company excludes \$322,588 of CIAC from its calculation of rate base. Since CIAC reduces rate base, the Company's exclusion overstates rate base.

Q. What does Staff recommend?

A. Staff recommends an adjustment to increase CIAC by \$322,588 for the Paradise Valley District resulting in a corresponding decrease to rate base.

Accumulated Depreciation

Q. Please describe the Company's rebuttal position.

A. The Company states its filing contained an error that understates accumulated depreciation by \$100,554 and proposes to correct the error by increasing accumulated depreciation \$100,554.

Q. Does Staff agree?

A. Yes. Staff's surrebuttal schedules reflect the correction.

Sun City West Water District:

Q. Please describe the Company's rebuttal position.

A. The Company states plant and accumulated depreciation should be increased by \$76,672 to correct an error in its records.

1 **Q. Does Staff agree?**

2 A. Yes. The Company had previously informed Staff that the amount of the adjustment
3 should have been \$70,000 but the Company further learned that \$76,672 is the correct
4 amount. Staff's surrebuttal schedules reflect the updated amount.

5
6 **Tubac Water District:**

7 *CIAC/AIAC in CWIP*

8 **Q. Has the Company requested to exclude CIAC or AIAC associate with CWIP as in**
9 **the Agua Fria system above?**

10 A. Yes. The Company excludes \$20,266 from AIAC from its calculation of rate base. Since
11 AIAC reduces rate base, the Company's exclusion overstates rate base.

12
13 **Q. What does Staff recommend?**

14 A. Staff recommends an adjustment to increase AIAC by \$20,266 for the Tubac District
15 resulting in a corresponding decrease to rate base.

16
17 **RESPONSE TO REBUTTAL TESTIMONY OF SHERYL L. HUBBARD**

18 **Working Capital**

19 **Q. What is the Company's rebuttal position?**

20 A. The Company states that Staff's calculation of cash working capital contains formulaic
21 errors along with some incorrect amounts for taxes in some districts. The Company also
22 alleges that Staff inappropriately used the expense lags of Mohave Water for the Mohave
23 Wastewater calculation.
24

1 **Q. Does Staff agree with the Company's position?**

2 A. Staff agrees that there were formulaic errors the calculation of working capital in Staff's
3 Direct Testimony and that some tax expense amounts did not reflect the Company's
4 prospective liabilities. Staff's surrebuttal schedules reflect corrections for the formulaic
5 errors and tax values. Staff does not agree with the Company's contention that incorrect
6 expense lags were used in one system versus another because Staff is using the same
7 expense lags for all systems.

8
9 **Q. What does Staff recommend?**

10 A. Staff has recomputed the cash working capital on the attached surrebuttal schedules and
11 recommends the amounts as shown.

12
13 **White Tanks**

14 **Q. What is the Company's rebuttal position?**

15 A. The Company requests the following:

- 16
17 1. That \$25 million of CWIP for the White Tanks project be included in rate base.
18 The Company states that this is necessary because hook up fees are far less than
19 anticipated and that the Company will face dire financial consequences if there is
20 not interim relief, "Arizona American must consider mothballing or selling the
21 plant".²
22 2. That it needs an accounting order to defer post in service O&M until such
23 expenses can be reflected in rates.

² Page 10 of Rebuttal Testimony of Company witness Christopher C. Buls

1 3. The Company further claims that FASB 92 will require a write down of the plant
2 for financial statement purposes if the Commission does not grant it an accounting
3 order.

4 4. As an alternative to CWIP in rate base, the Company requests surcharges as
5 previously discussed.³

6
7 **Q. What is Staff's position regarding the Company's proposal to include CWIP in rate**
8 **base?**

9 A. As discussed in the Direct Testimony, Staff does not support including CWIP in rate base.
10 At the present time, the CWIP is not providing any benefit to current rate payers. Thus,
11 current ratepayers should not bear the burden of this facility.

12
13 **Q. What is Staff's position on an accounting order to defer O&M costs?**

14 A. Staff's recommendation is consistent with its recommendation in its Direct Testimony:

15
16 *"Staff believes that accounting orders should only be issued under very unusual*
17 *or extraordinary conditions to prevent harm to either the Company or the*
18 *ratepayers. In the case at hand, the Company has already been indemnified*
19 *against harm for post in service AFUDC and depreciation expense via the*
20 *accounting orders in the previous case. Staff further notes that the cost of the*
21 *Central Arizona Project ("CAP") entitlement for AF Water is already included in*
22 *the Company's O&M in this proceeding, further reducing the Company's*
23 *exposure to un-recovered O&M.*

24
25 *Staff does not see any evidence that the Company's net costs and O&M not*
26 *subject to deferral mechanisms and future recovery will be extraordinary. Staff*
27 *believes that the cost of providing treated water will be offset by cost savings*
28 *attached to the present expenses of providing ground water which are reflected in*
29 *present rates along with the CAP entitlement as discussed above. Thus, Staff*
30 *recommends denial of an additional accounting order."*⁴

³ Page 8-9 of Rebuttal Testimony of Company witness Christopher C. Buls

⁴ Page 27 of Direct Testimony of Gerald Becker of January 13, 2009.

1 Thus, Staff recommends denial of an accounting order to defer O&M.

2
3 **Q. What is Staff's view of the potential need for the Company to record a write down in**
4 **its external financial statements due to the requirements of FASB 92?**

5 A. Although any potential detriment to the Company may be considered by the Commission,
6 the financial statement presentation should not drive the regulatory process. The
7 requirements for presentation of external financial statements do not alter the
8 Commission's prescribed treatment of costs for ratemaking purposes nor do those
9 requirements change the eligibility of recovery of any cost by the Company.

10
11 **Q. What does Staff recommend?**

12 A. Staff concludes that any concerns regarding the financial statement presentation
13 constitutes inadequate justification to issue an accounting order. Thus, Staff recommends
14 denial of the accounting order.

15
16 **Joint Development Agreement**

17 **Q. Has Staff changed its position on the Joint Development Agreement with the**
18 **Maricopa Water District ("MWD")?**

19 A. No. Staff continues to have significant reservations regarding the Joint Development
20 Agreement as discussed in its Direct Testimony.

21
22 **Overcapacity of Arsenic Treatment Plant – Agua Fria, Havasu, Sun City West Water**

23 **Q. What is the Company proposing?**

24 A. The Company asserts that all of its arsenic treatment plant in these districts is used and
25 useful and proposes to include it in rate base.

26

1 **Q. Does Staff agree?**

2 A. No. The Staff has reviewed the capacity of the arsenic treatment plant for these systems
3 and recommends a disallowance for each system as described in the Surrebuttal
4 Testimony of Dorothy Hains. Staff's surrebuttal schedules reflect these adjustments to the
5 rate base of the respective Districts. The disallowances for each District are:

6		
7	Agua Fria	\$126,352
8	Havasu	\$143,485
9	Sun City West Water	\$92,080

10
11 **Q. Does this conclude your testimony on this topic?**

12 A. Yes, it does.
13

14 **TUBAC ARSENIC REMEDIATION OPTIONS**

15 **Q. What is the Company proposing?**

16 A. The Company proposes to construct arsenic remediation plant to treat all water that it
17 distributes as opposed to installing point of use treatment at customers' premises which
18 would treat the water only at a designated point such as the kitchen sink.
19

20 **Q. What is the nature of Staff's testimony?**

21 A. Staff has calculated the revenue requirement for each option for the first year. Staff's
22 analysis uses the Company's estimates of initial investment and annual operating expenses
23 with exception of depreciation expense. Staff modified the depreciation rate to reflect a
24 20-year life for the central treatment plant for consistency with depreciation rates for
25 similar plant in this proceeding, as compared with the 40-year life described by the
26 Company.⁵

⁵ Rebuttal testimony of Jeffrey W. Stuck, February 11, 2009, Page 3 line 17.

1 **Q. According to the Company, what are the initial and ongoing costs for each type of**
2 **system?**

3 A. The Company states that the initial cost of a centralized treatment system is \$2,300,000 as
4 compared with \$544,000 for the point of use system.⁶ The annual operating costs
5 excluding depreciation and property taxes are \$173,000 for the central system and
6 \$349,000 for the point of use system.⁷ The Company further states that the point of use
7 system would have to be completely re-installed after 10 years at a cost of almost \$2
8 million.⁸

9
10 **Q. Has Staff conducted any analysis to assess the reasonableness of the Company's**
11 **stated capital and operating costs of the two arsenic treatment alternatives?**

12 A. No. Staff relies on the Company's representation of these costs for the purpose of this
13 analysis except that Staff assumes a 20-year life for the central plant instead of the
14 Company's 40-year life.

15
16 **Q. What are the results of Staff's analysis?**

17 A. Staff determined that the revenue requirements as shown below:

	Central Treatment	Point of Use
Revenue Requirements	\$ 506,996	\$ 455,547

18
19
20
21
22 Staff also notes that the amounts reflected in the above analysis indicate that the annual
23 operating expenses are higher for the point of use system and would theoretically be
24 subject to a greater amount of volatility. Further, the net plant value of the central plant is
25 at its maximum at the outset and subsequently decreases over its useful life. Thus, the

⁶ Rebuttal testimony of Jeffrey W. Stuck, February 11, 2009, Page 3 line 3.

⁷ Rebuttal testimony of Jeffrey W. Stuck, February 11, 2009, Page 4 lines 4-5.

⁸ Rebuttal testimony of Jeffrey W. Stuck, February 11, 2009, Page 4 line 9.

1 value of the rate base portion of the revenue requirement will decrease over time. In
2 contrast, the point of use system will require replacement after 10 years and the rate base
3 portion of the revenue requirement will be adjusted to the future cost.
4

5 **Q. What is the purpose of Staff's financial analysis of the arsenic treatment**
6 **alternatives?**

7 A. Staff is presenting this analysis for information purposes only. Staff is not recommending
8 that the Commission direct the Company to choose either alternative. The Company
9 should make a decision based on a comprehensive analysis that include quantitative and
10 qualitative factors.
11

12 **Q. Does this conclude your testimony on this topic?**

13 A. Yes, it does.
14

15 **Q. Does this conclude your Surrebuttal Testimony?**

16 A. Yes, it does.

Gerald Becker

From: Thomas.Broderick@amwater.com
Sent: Tuesday, November 04, 2008 3:24 PM
To: Gerald Becker
Cc: Linda.Gutowski@amwater.com
Subject: Plant additions follow up to DR13

Gerry,

We have at last (nearly) completed our internal review of the projects (DR 13) in Mohave and Agua Fria that lacked adequate support and we respond as follows:

Mohave Sewer:

If Staff recommends removal of Mesa Vista (\$182k) and Sage Hill Tract (\$147k) from plant in service and associated AIAC and depreciation expense, the Company will accept that recommendation because we do lack the supporting information for these projects.

Mohave Water:

For Villages at Stonebridge (\$242k) and Winterhaven Estates (\$177k), same as above.

For Mira Monte Fox Creek, the detail exists and will be provided to you as soon as we receive it from the developer. If we don't provide you this information before the hearing, we again would accept removal as per above.

Agua Fria Water:

For Clearwater Farms (\$1.7 m), Linda has the supporting detail and you will shortly be provided it.

For Rancho Cabrillo (\$1.2 m), the detail exists and we are waiting on it from the developer. We already have a lot of invoices for the off-site portion of this project, but its the on-site portion you indicated. If we don't provide you this information before the hearing, we again would accept removal.

We have not started refunding on any of these projects and if the Commission accepts a staff recommendation to remove, we would take the position with the developer(s) that we don't owe them any refunds otherwise due.

I think its understood that if we can later obtain supporting documentation as part of a future rate case, the affected project can be restored for ratemaking purposes.

Tom

ARIZONA-AMERICAN WATER COMPANY - AGUA FRIA WATER

Docket No. WS-01303A-08-0227

Test Year Ended December 31, 2007

SURREBUTTAL TESTIMONY OF GERALD BECKER

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GWB- 16	OPERATING INCOME ADJUSTMENT #5 - INCOME TAX EXPENSE

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 96,976,395	\$ 96,976,395	\$ 59,516,712	\$ 59,516,712
2	Adjusted Operating Income (Loss)	\$ 2,601,288	\$ 2,601,288	\$ 2,819,140	\$ 2,819,140
3	Current Rate of Return (L2 / L1)	2.68%	2.68%	4.74%	4.74%
4	Required Rate of Return	8.40%	8.40%	7.34%	7.34%
5	Required Operating Income (L4 * L1)	\$ 8,146,017	\$ 8,146,017	\$ 4,368,527	\$ 4,368,527
6	Operating Income Deficiency (L5 - L2)	\$ 5,544,729	\$ 5,544,729	\$ 1,549,387	\$ 1,549,387
7	Gross Revenue Conversion Factor	1.6578	1.6578	1.6513	1.6513
8	Required Revenue Increase (L7 * L6)	\$ 9,192,198	\$ 9,192,198	\$ 2,558,455	\$ 2,558,455
9	Adjusted Test Year Revenue	\$ 18,818,613	\$ 18,818,613	\$ 18,818,613	\$ 18,818,613
10	Proposed Annual Revenue (L8 + L9)	\$ 28,010,811	\$ 28,010,811	\$ 21,377,068	\$ 21,377,068
11	Required Increase in Revenue (%)	48.85%	48.85%	13.60%	13.60%
12	Rate of Return on Common Equity (%)	10.75%	10.75%	10.00%	10.00%

References:

Column [A]: Company Schedule A-1

Column (B): Company Schedule A-1

Column (C): Staff Schedules GWB-2, GWB-3, and GWB-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.4405%					
5	Subtotal (L3 - L4)	60.5595%					
6	Revenue Conversion Factor (L1 / L5)	1.651269					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	38.5989%					
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (Line 44)	34.0000%					
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%					
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.5989%				
<u>Calculation of Effective Property Tax Factor</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	38.5989%					
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%					
21	Property Tax Factor (GTM-14, L24)	1.3707%					
22	Effective Property Tax Factor (L20*L21)		0.8416%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.4405%			
24	Required Operating Income (Schedule GWB-1, Line 5)	\$ 4,368,527					
25	Adjusted Test Year Operating Income (Loss) (Schedule GWB-10, Line 28)	\$ 2,819,140					
26	Required Increase in Operating Income (L24 - L25)		\$ 1,549,387				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 1,552,693					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ 578,694					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 973,999				
30	Recommended Revenue Requirement (Schedule GWB-1, Line 10)	\$ 21,377,068					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue (GTM-15, 20)	\$ 838,140					
36	Property Tax on Test Year Revenue (GTM-15, Col A, L16)	\$ 803,072					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 35,068				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 2,558,454				
<u>Calculation of Income Tax:</u>							
39	Revenue (Sch GWB-1, Col. (C) L9 & 10)			\$ 18,818,613		\$ 21,377,068	\$ 21,377,068
40	Operating Expenses Excluding Income Taxes			\$ 15,420,780		\$ 15,455,848	\$ 15,455,848
41	Synchronized Interest (L56)			\$ 1,898,583		\$ 1,898,583	\$ 1,898,583
42	Arizona Taxable Income (L39 - L40 - L41)	\$ -	\$ -	\$ 1,499,250	\$ 4,022,638	\$ 4,022,637	\$ 4,022,637
43	Arizona State Income Tax Rate	6.9680%	6.9680%	6.9680%	6.9680%	6.9680%	6.9680%
44	Arizona Income Tax (L42 x L43)	\$ -	\$ -	\$ 104,468	\$ 280,297	\$ 280,297	\$ 280,297
45	Federal Taxable Income (L43 - L44)	\$ -	\$ -	\$ 1,394,783	\$ 3,742,341	\$ 3,742,340	\$ 3,742,340
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ -	\$ -	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ -	\$ -	\$ 6,250	\$ 6,250	\$ -	\$ 6,250
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -	\$ -	\$ 8,500	\$ 8,500	\$ -	\$ 8,500
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -	\$ -	\$ 91,650	\$ 91,650	\$ -	\$ 91,650
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -	\$ -	\$ 360,326	\$ 1,158,496	\$ -	\$ 1,158,496
51	Total Federal Income Tax	\$ -	\$ -	\$ 474,226	\$ 1,272,396	\$ -	\$ 1,272,396
52	Combined Federal and State Income Tax (L44 + L51)	\$ -	\$ -	\$ 578,694	\$ 1,552,693	\$ -	\$ 1,552,693
53	Applicable Tax Rate						34.0000%
<u>Calculation of Interest Synchronization:</u>							
54	Rate Base (Schedule GWB-3, Col. (C), Line 17)			\$ 59,516,712			
55	Weighted Average Cost of Debt			3.1900%			
56	Synchronized Interest (L45 X L46)			\$ 1,898,583			

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 211,145,154	\$ (3,362,949)	\$ 207,782,205
	CWIP in Rate Base	\$ 25,000,000	\$ (25,000,000)	
2	Less: Accumulated Depreciation	20,033,433	(7,532)	20,025,901
3	Net Plant in Service	<u>\$ 216,111,721</u>	<u>\$ (3,355,417)</u>	<u>\$ 187,756,304</u>
	<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 29,706,550	\$ 3,432,286	\$ 33,138,836
5	Less: Accumulated Amortization	1,435,287	-	1,435,287
6	Net CIAC	<u>28,271,263</u>	<u>3,432,286</u>	<u>31,703,549</u>
7	Advances in Aid of Construction (AIAC)	98,233,813	(1,189,832)	97,043,981
8	Imputed Reg AIAC	-	2,268,167	2,268,167
9	Imputed Reg CIAC	796,965	-	796,965
10	Deferred Income Tax Credits (Debits)	(2,839,311)	-	(2,839,311)
	Customer Meter Deposits	19,040		19,040
	<u>ADD:</u>			
11	Cash Working Capital	1,409,860	(1,272,529)	137,331
12	Prepayments	214,929	-	214,929
13	Supplies Inventory	192,139	-	192,139
14	Projected Capital Expenditures		-	-
15	Deferred Debits	3,529,517	(3,321,116)	208,401
16	Purchase Wastewater Treatment Charges	-	-	
17	Original Cost Rate Base	<u>\$ 96,976,395</u>	<u>\$ (12,459,683)</u>	<u>\$ 59,516,712</u>

References:

Column (A), Company Schedule B-2

Column (B): Schedule GWB-4

Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[E] ADJ #5& 6	[F] ADJ #7	[G] ADJ #8	[F] STAFF ADJUSTED
PLANT IN SERVICE											
1	301000	Organization	1,229								\$ 1,229
2	302000	Franchises	321,997	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 321,997
3	303000	Land & Land Rights SS	1,429,017								\$ 1,429,017
4	303300	Land & Land Rights P	(28,462)								\$ (28,462)
5	303400	Land & Land Rights WT	624,652								\$ 624,652
6	303500	Land & Land Rights TD	-								\$ -
7	303600	Land & Land Rights AG	-								\$ -
8	304100	Struct & Imp SS	9,008,963								\$ 9,008,963
9	304200	Struct & Imp P	4,836,856								\$ 4,836,856
10	304300	Struct & Imp WT	1,162,010								\$ 1,162,010
11	304400	Struct & Imp TD	3,550,952								\$ 3,550,952
12	304600	Struct & Imp Offices	173,284								\$ 173,284
13	304800	Struct & Imp Misc	-								\$ -
14	305000	Collect & Impounding	-								\$ -
15	307000	Wells & Springs	11,874,350								\$ 11,874,350
16	310100	Power Generation Equip Other	828,646								\$ 828,646
17	311200	Pump Equip Electric	21,166,169								\$ 21,166,169
18	311300	Pump Equip Diesel	11,872								\$ 11,872
19	311500	Pump Equip Other	1,271,551								\$ 1,271,551
20	320100	WT Equip Non-Media ¹	9,499,933						(126,352)		\$ 9,373,581
21	330000	Dist Reservoirs & Standpipe	9,713,171					(1,647,404)			\$ 8,065,767
22	331001	TD Mains Not Classified by Size	5,710,217								\$ 5,710,217
23	331100	TD Mains 4in & Less	21,371,152								\$ 21,371,152
24	331200	TD Mains 6in to 8in	31,329,478								\$ 31,329,478
25	331300	TD Mains 10in to 16in	27,284,414	(1,189,832)							\$ 26,094,582
26	331400	TD Mains 18in and Grtr.	13,774,400					(399,361)			\$ 13,375,039
27	332000	Fire Mains	89,876								\$ 89,876
28	333000	Services	11,273,032								\$ 11,273,032
29	334100	Meters	4,666,830								\$ 4,666,830
30	334200	Meter Installations	1,583,276								\$ 1,583,276
31	335000	Hydrants	11,793,410								\$ 11,793,410
32	339100	Other P/E Intangible	-								\$ -
33	339300	Other P/E Misc	-								\$ -
34	339500	Other P/E TD	-								\$ -
35	340100	Office Furniture & Equip	92,864								\$ 92,864
36	340200	Comp & Periph Equip	74,674								\$ 74,674
37	341100	Trans Equip Lt Duty Trks	202,657								\$ 202,657
38	341200	Trans Equip Hvy Duty Trks	-								\$ -
39	342000	Stores Equipment	-								\$ -
40	343000	Tools, Shop, Garage Equip	8,608								\$ 8,608
41	344000	Laboratory Equipment	-								\$ -
42	345000	Power Operated Equipment	30,559								\$ 30,559
43	346100	Comm Equip Non-Telephone	1,462,701								\$ 1,462,701
44	346300	Comm Equip Other	390,585								\$ 390,585
45	391100	Computer Equipment	-								\$ -
46											\$ -
POST TY PLANT											
47	330000	Dist Reservoirs & Standpipe	1,647,404								\$ 1,647,404
48	331400	TD Mains 18in and Grtr.	399,361								\$ 399,361
49											\$ -
50											\$ -
51	304400	Struct & Imp TD	192,154								\$ 192,154
52	331200	TD Mains 6in to 8in	205,286								\$ 205,286
53	331300	TD Mains 10in to 16in	748,152								\$ 748,152
54	346190	Remote Control & Instrumentation	21,676								\$ 21,676
55											\$ -
56											\$ -
CORPORATE ALLOCATION											
57	304620	Struct & Imp Leasehold	48,860								\$ 48,860
58	340100	Office Furniture & Equip	241,927								\$ 241,927
59	340200	Comp & Periph Equip	98,398								\$ 98,398
60	340300	Computer Software	387,190								\$ 387,190
61	340300	Computer Software-Other	10,057								\$ 10,057
62	343000	Tools, Shop, Garage Equip	8,270								\$ 8,270
63	346100	Comm Equip Non-Telephone	40,019								\$ 40,019
64	346300	Comm Equip Other	1,054								\$ 1,054
65											\$ -
REALLOCATION FROM CORPORATE											
66											\$ -
67	307000	Wells & Springs	6,865								\$ 6,865
68	310100	Power Generation Equip Other	15,127								\$ 15,127
69	311200	Pump Equip Electric	52,898								\$ 52,898
70	320100	WT Equip Non-Media	218,139								\$ 218,139
71	339300	Other P/E Misc	212,320								\$ 212,320
72	340200	Comp & Periph Equip	5,078								\$ 5,078
73											\$ -
74											\$ -
75											\$ -
76											\$ -
77											\$ -
78											\$ -
79	Total Plant in Service		211,145,154	(1,189,832)	-	-	-	(2,046,765)	(126,352)	-	\$ 207,782,205
80	CWIP in Rate Base		\$ 25,000,000					\$ (25,000,000)			\$ -
81	Accumulated Depreciation		20,033,433	(7,532)							\$ 20,025,901
82	Net Plant in Service (L58 - L 59)		\$216,111,721	\$ (1,182,300)	\$ -	\$ -	\$ -	\$ (27,046,765)	\$ (126,352)	\$ -	\$ 187,756,304
83											\$ -
LESS:											
84											\$ -
85	Contributions in Aid of Construction (CIAC)		\$ 29,706,550		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,432,286	\$ 33,138,836
86	Less: Accumulated Amortization		1,435,287								\$ 1,435,287
87	Net CIAC (L53 - L54)		28,271,263							3,432,286	\$ 31,703,549
88	Advances in Aid of Construction (AIAC)		98,233,813	(1,189,832)							\$ 97,043,981
89	Imputed Reg Advances		-			2,268,167					\$ 2,268,167
90	Imputed Reg CIAC		796,965								\$ 796,965
91	Deferred Income Tax Credits (Debits)		(2,839,311)								\$ (2,839,311)
92	Meter Deposits		19,040								\$ 19,040
93											\$ -
94	Working Capital Allowance		1,409,860		(1,272,529)						\$ 137,331
95	Pumping Power		-								\$ -
96	Purchase Wastewater Treatment Charges		-								\$ -
97	Material and Supplies Inventory		192,139								\$ 192,139
98	Prepayments		214,929								\$ 214,929
99	CWIP in Rate Base		-								\$ -
100	Deferred Debits		3,529,517				(3,321,116)				\$ 208,401
101	Original Cost Rate Base		\$ 96,976,396	\$ 7,532	\$ (1,272,529)	\$ (2,268,167)	\$ (3,321,116)	\$ (27,046,765)	\$ (126,352)	\$ (3,432,286)	\$ 59,516,713

ADJ #	References
1	Plant, Accumulated Depreciation and AIAC
2	Working Capital
3	Imputed Reg AIAC
4	Deferred Debits
5	White Tanks CWIP Adjustment
6	Post Test Year Plant
7	Overcapacity of Arsenic Treatment Plant
8	CIAC/AIAC in CWIP

¹ Company described asset as WT Equip non-media however per engineering report it should be Water Treatment Equipment-Media (which is for arsenic treatment plant).

ARIZONA-AMERICAN WATER COMPANY - AGUA FRIA WATER
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Schedule GWB-5
SURREBUTTAL

RATE BASE ADJUSTMENT #1 - PLANT, ACCUMULATED DEPRECIATION, AND AIAC

LINE NO.	ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	331.10	Mains 10" to 16"	1,189,832	(1,189,832)	-
		Mains 10" to 16" Accumulated Deprec.	(7,532)	(7,532)	-
		AIAC	1,189,832	(1,189,832)	-

References:

Column [A]: Amounts included in plant balances per filing.

Column [B]: Per Testimony GWB

Column [C]: Column [A] less Column [B]

RATE BASE ADJUSTMENT #2 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 1,440,677	\$ -	1,440,677	12.00	\$ 17,288,126
2	Purchased Water	\$ 901,467	-	901,467	86.87	\$ 78,310,438
3	Fuel & Power	\$ 1,954,815	-	1,954,815	32.42	\$ 63,375,087
4	Chemicals	\$ 1,121,555		981,930	28.47	\$ 27,955,547
5	Waste Disposal	\$ (870)		(870)	30.00	\$ (26,100)
6	Management Fees	\$ 2,775,604		2,775,604	(3.88)	\$ (10,769,344)
7	Group Insurance	\$ 396,645		396,645	(4.64)	\$ (1,840,431)
8	Pensions	\$ 240,413		240,413	45.00	\$ 10,818,593
9	Regulatory Expense	\$ 64,012		64,012	30.00	\$ 1,920,360
10	Insurance Other Than Group	\$ 158,153		158,153	45.00	\$ 7,116,885
11	Customer Accounting	\$ 370,806		370,806	7.46	\$ 2,766,213
12	Rents	\$ 63,217		63,217	(10.68)	\$ (675,158)
13	General Office Expense	\$ 161,107		161,107	30.00	\$ 4,833,210
14	Miscellaneous	\$ 787,967		787,967	30.00	\$ 23,639,000
15	Maintenance Expense	\$ 591,329		121,761	30.00	\$ 3,652,820
16	Taxes Other Than Income-Property Taxes	\$ 803,071		838,140	212.50	\$ 178,104,847
17	Taxes Other Than Income-Other	\$ 128,923		128,923	15.65	\$ 2,017,649
18	Income Taxes	\$ (138,756)		1,552,693	42.04	\$ 65,275,227
19	Interest		1,898,583	1,898,583	106.52	202,237,075
20	Total Operating Expenses	11,820,135	1,898,583	14,836,043	764.73	676,000,045
21						
22						
23	Expense Lag	Line 21, Col. (E) / Col [C]	45.56			
24	Revenue Lag	Company Workpapers	48.943			
25	Net Lag	Line 24 - 23	3.38			
26	Staff Adjusted Expenses	Line 20, Col 35	14,836,043			
27	Cash Working Capital	Line 25 * Line 26/365 day	137,331			
28	Company As Filed	Co Schedule B-5	1,409,860			
29	Staff Adjustment	To GWB-4	(1,272,529)			
30						
31	References:					
32	Column [A]: Company Schedule C-1					
33	Column [B]: Staff adjustments to expenses, See Testimony GWB					
34	Column [C]: Column [A] + Column [B]					
35	Column [D]: Expense Lags Used on Docket WS-01303A-06-0403, approved in Decision No. 70372					
36	Column [E]: Column [C] * Column [D]					

RATE BASE ADJUSTMENT #3 - IMPUTED REGULATORY AIAC

LINE NO.	DESCRIPTION	[A] YEAR OF ADVANCE	[B] ADVANCE AMOUNT	[C] CIAC AMORTIZED	(D) CIAC REMAING BALANCE
1	Beginning Balance Per Decision No. 67093	2001	\$ 27,385,370		\$ 27,385,370
2	None	2002	-	4,051,534	23,333,836
3	None	2003	-	4,213,134	19,120,702
4	None	2004	-	4,213,134	14,907,568
5		2005		4,213,134	10,694,434
6		2006		4,213,134	6,481,300
7	None	2007	-	4,213,134	2,268,167
8	Per Staff		<u>\$ 27,385,370</u>	<u>\$25,117,203</u>	<u>\$ 2,268,167</u>
9	Company Proposed Imputed Reg. AIAC				-
10	Staff Adjustment			\$ -	<u>\$ 2,268,167</u>

REFERENCES:

Columns [A]: Fiscal Years

Column [B]: Beginning Balance per Decision No. 67093

Column [C]: Annual Amortization of Col [B] using 6.5 year recovery period per Decision No. 67093

Column [D]: CIAC per Decision No. 67093, less amortization.

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Schedule GWB - 8
SURREBUTTAL

RATE BASE ADJUSTMENT #4 - DEFERRED DEBITS

LINE NO.	DESCRIPTION		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	At December 31, 2007	2007	3,529,517	(3,321,116)	208,401
2			<u>\$ 3,529,517</u>	<u>\$ (3,321,116)</u>	<u>\$ 6,850,633</u>

REFERENCES:
Columns [A]: Company schedules
Column [B]: Column [C] less Column [A]
Column [C]: See testimony GWB

REFERENCES:
Columns [A]: Fiscal Years
Column [B]: Beginning Balance per Decision No. 67093
Column [C]: Annual Amortization of Col [B] using 6.5 year recovery period per Decision No. 67093
Column [D]: CIAC per Decision No. 67093, less amortization.

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Schedule GWB-9 A
SURREBUTTAL

RATE BASE ADJUSTMENT #5 - WHITE TANKS PLANT IN CWIP

ACCT NO.	Description		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	White Tanks Plant in CWIP	\$	25,000,000	\$ (25,000,000)	\$ -

References:

Column [A]: Amounts included in plant balances per filing.

Column (B): Per Testimony GWB

Column (C): Column [A] less Column [B]

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Schedule GWB-9 B
SURREBUTTAL

RATE BASE ADJUSTMENT #6 - POST TEST YEAR PLANT

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
330000	Dist Reservoirs	1,647,404	\$ (1,647,404)	\$ -
331400	Dist Reservoirs & Standpipe	399,361	(399,361)	-
		<u>2,046,765</u>	<u>\$ (2,046,765)</u>	<u>-</u>

References:

Column [A]: Amounts included in plant balances per filing.

Column (B): Per Testimony GWB

Column (C): Column [A] less Column [B]

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Schedule GWB-9 C
SURREBUTTAL

RATE BASE ADJUSTMENT #7 - OVERCAPACITY OF ARESENIC TREATMENT PLANT

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
320100	WT Equip Non-Media	9,499,933	\$ (126,352)	\$ 9,373,581

References:

Column [A]: Amounts included in plant balances per filing.

Column [B]: Per Testimony GWB and Dorothy Hains

Column [C]: Column [A] plus Column [B]

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Schedule GWB-9 D
SURREBUTTAL

RATE BASE ADJUSTMENT #8 - CIAC ON CWIP

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	CIAC	28,271,263	\$ 3,432,286	\$ 31,703,549

References:

Column [A]: Amounts included Per filing.

Column (B): Per Testimony GWB

Column (C): Column [A] plus Column [B]

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1						
2	Water Revenues	\$ 17,913,497	\$ -	\$ 17,913,497	\$ 2,558,455	\$ 20,471,951
3	Other Revenues	905,117	-	905,117	-	905,117
4	Other	-	-	-	-	-
5	Total Operating Revenues	\$ 18,818,613	\$ -	\$ 18,818,613	\$ 2,558,455	\$ 21,377,068
6						
7	Labor	\$ 1,440,677	\$ -	1,440,677	\$ -	\$ 1,440,677
8	Purchased Water	\$ 901,467	-	901,467	-	901,467
9	Fuel & Power	\$ 1,954,815	-	1,954,815	-	1,954,815
10	Chemicals	\$ 1,121,555	(139,625)	981,930	-	981,930
11	Waste Disposal	\$ (870)	-	(870)	-	(870)
12	Management Fees	\$ 2,775,604	-	2,775,604	-	2,775,604
13	Group Insurance	\$ 396,645	-	396,645	-	396,645
14	Pensions	\$ 240,413	-	240,413	-	240,413
15	Regulatory Expense	\$ 64,012	-	64,012	-	64,012
16	Insurance Other Than Group	\$ 158,153	-	158,153	-	158,153
17	Customer Accounting	\$ 370,806	-	370,806	-	370,806
18	Rents	\$ 63,217	-	63,217	-	63,217
19	General Office Expense	\$ 161,107	-	161,107	-	161,107
20	Miscellaneous	\$ 787,967	-	787,967	-	787,967
21	Maintenance Expense	\$ 591,329	(469,568)	121,761	-	121,761
22	Depreciation & Amortization	\$ 4,397,190	(326,109)	4,071,081	-	4,071,081
23	Taxes Other Than Income-Property Taxes	\$ 803,071	-	803,072	35,068	838,140
24	Taxes Other Than Income-Other	\$ 128,923	-	128,923	-	128,923
25	Income Taxes	\$ (138,756)	717,449	578,694	973,999	1,552,693
26						
27	Total Operating Expenses	16,217,325	(217,853)	15,999,474	1,009,067	17,008,541
28	Operating Income (Loss)	\$ 2,601,288	\$ 217,853	\$ 2,819,140	\$ 1,549,387	\$ 4,368,527

References:

Column (A): Company Schedule C-1
Column (B): Schedule GTM 11
Column (C): Column (A) + Column (B)
Column (D): Schedules GWB 2, Lines 29 and 37
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Tank Maint. ADJ #1	[C] Depreciation Exp. ADJ #2	[D] Chemicals ADJ #3	[E] Property Taxes ADJ #4	[F] Income Taxes ADJ #5	[G] STAFF ADJUSTED
1								
2	Water Revenues	\$ 17,913,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,913,497
3	Other Revenues	905,117	-	-	-	-	-	905,117
4	Other	-	-	-	-	-	-	-
5	Total Operating Revenues	\$ 18,818,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,818,613
6								
7								
8	Labor	\$ 1,440,677	\$ -	\$ -	\$ -	\$ -	\$ -	1,440,677
9	Purchased Water	901,467	-	-	-	-	-	901,467
10	Fuel & Power	1,954,815	-	-	-	-	-	1,954,815
11	Chemicals	1,121,555	-	-	(139,625)	-	-	981,930
12	Waste Disposal	(870)	-	-	-	-	-	(870)
13	Management Fees	2,775,604	-	-	-	-	-	2,775,604
14	Group Insurance	396,645	-	-	-	-	-	396,645
15	Pensions	240,413	-	-	-	-	-	240,413
16	Regulatory Expense	64,012	-	-	-	-	-	64,012
17	Insurance Other Than Group	158,153	-	-	-	-	-	158,153
18	Customer Accounting	370,806	-	-	-	-	-	370,806
19	Rents	63,217	-	-	-	-	-	63,217
20	General Office Expense	161,107	-	-	-	-	-	161,107
21	Miscellaneous	787,967	-	-	-	-	-	787,967
22	Maintenance Expense	591,329	(469,568)	-	-	-	-	121,761
23	Depreciation & Amortization	4,397,190	-	(326,109)	-	-	-	4,071,081
24	Taxes Other Than Income-Property Taxes	803,071	-	-	-	1	-	803,072
25	Taxes Other Than Income-Other	128,923	-	-	-	-	-	128,923
26	Income Taxes	(138,756)	-	-	-	-	717,449	578,694
27								
28								
29	Total Operating Expenses	\$ 16,217,325	\$ (469,568)	\$ (326,109)	\$ (139,625)	\$ 1	\$ 717,449	\$ 15,999,474
30	Operating Income (Loss)	\$ 2,601,288	\$ 469,568	\$ 326,109	\$ 139,625	\$ (1)	\$ (717,449)	\$ 2,819,140

ADJ #	References:
1 Tank Maintenance	GTM 12
2 Depreciation Expense	GTM 13
3 Chemicals Expense	GTM 14
4 Property Taxes	GTM 15
5 Income Taxes	GTM 16

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Surrebuttal Schedule GTM-12

OPERATING INCOME ADJUSTMENT #1 - TANK MAINTENANCE ACCRUAL

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Maintenance Expense	\$ 591,329	\$ (469,568)	\$ 121,761
	Repair and Maintenance Expenses			
	Calendar year 2005	58,559		
	Calendar year 2006	153,213		
	Calendar year 2007	153,510		
	Total for three year period	365,282		
	Normalization Period	3		
	Normalized Amount	121,761		

References:

Column (A), Company Schedule C-1
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

OPERATING ADJUSTMENT #2- DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	DESCRIPTION	(A) PLANT BALANCE	(B) DEPRECIATION RATE	(C) DEPRECIATION EXPENSE
1		<u>PLANT IN SERVICE:</u>			
2	301000	Organization	1,229	0.00%	-
3	302000	Franchises	321,997	0.00%	-
4	303200	Land & Land Rights SS	1,429,017	0.00%	-
5	303300	Land & Land Rights P	(28,462)	0.00%	-
6	303400	Land & Land Rights WT	624,652	0.00%	-
7	303500	Land & Land Rights TD	-	0.00%	-
8	303600	Land & Land Rights AG	-	0.00%	-
9	304100	Struct & Imp SS	9,008,963	2.50%	225,224
10	304200	Struct & Imp P	4,836,856	1.67%	80,775
11	304300	Struct & Imp WT	1,162,010	1.67%	19,406
12	304400	Struct & Imp TD	3,550,952	1.67%	59,301
13	304600	Struct & Imp Offices	173,284	4.63%	8,023
14	304800	Struct & Imp Misc	-	0.00%	-
15	305000	Collect & Impounding	-	2.50%	-
16	307000	Wells & Springs	11,874,350	3.33%	395,416
17	310100	Power Generation Equip Other	828,646	4.42%	36,526
18	311200	Pump Equip Electric	21,166,169	4.42%	935,545
19	311300	Pump Equip Diesel	11,872	4.42%	525
20	311500	Pump Equip Other	1,271,551	4.42%	56,203
21	320100	Water Treatment Equipment non-media	9,499,933	5.00%	474,997
22	330000	Dist Reservoirs & Standpipe	8,065,767	1.67%	134,698
23	331001	TD Mains Not Classified by Size	5,710,217	1.53%	87,366
24	331100	TD Mains 4in & Less	21,371,152	1.53%	326,979
25	331200	TD Mains 6in to 8in	31,329,478	1.53%	479,341
26	331300	TD Mains 10in to 16in	26,094,582	1.53%	399,247
27	331400	TD Mains 18in and Grtr.	13,375,039	2.00%	267,501
28	332000	Fire Mains	89,876	2.00%	1,798
29	333000	Services	11,273,032	2.48%	279,571
30	334100	Meters	4,666,830	2.51%	117,137
31	334200	Meter Installations	1,583,276	2.51%	39,740
32	335000	Hydrants	11,793,410	2.00%	235,868
33	339100	Other P/E Intangible	-	0.00%	-
34	339300	Other P/E Misc	-	-	-
35	339500	Other P/E TD	-	-	-
36	340100	Office Furniture & Equip	92,864	4.04%	3,752
37	340200	Comp & Periph Equip	74,674	10.00%	7,467
38	341100	Trans Equip Lt Duty Trks	202,657	20.00%	40,531
39	341200	Trans Equip Hvy Duty Trks	-	15.00%	-
40	342000	Stores Equipment	-	3.92%	-
41	343000	Tools,Shop,Garage Equip	8,608	4.02%	346
42	344000	Laboratory Equipment	-	3.71%	-
43	345000	Power Operated Equipment	30,559	5.20%	1,589
44	346100	Comm Equip Non-Telephone	1,462,701	10.30%	150,658
45	346300	Comm Equip Other	390,585	4.93%	19,256
46	391100	Computer Equipment	-	-	-
47					
48		<u>POST TY PLANT</u>			
49	330000	Dist Reservoirs & Standpipe	1,647,404	1.67%	27,512
50	331400	TD Mains 18in and Grtr.	399,361	2.00%	7,987
51					
52	304400	Struct & Imp TD	192,154	1.67%	3,209
53	331200	TD Mains 6in to 8in	205,286	1.53%	3,141
54	331300	TD Mains 10in to 16in	748,152	1.53%	11,447
55	346190	Remote Control & Instrumentation	21,676	4.93%	1,069
56					
57		<u>CORPORATE ALLOCATION</u>			
58	304620	Struct & Imp Leasehold	48,860	14.28%	6,977
59	340100	Office Furniture & Equip	241,927	4.04%	9,774
60	340200	Comp & Periph Equip	98,398	10.00%	9,840
61	340300	Computer Software	387,190	25.00%	96,798
62	340300	Computer Software-Other	10,057	25.00%	2,514
63	343000	Tools,Shop,Garage Equip	8,270	4.02%	332
64	346100	Comm Equip Non-Telephone	40,019	10.30%	4,122
65	346300	Comm Equip Other	1,054	4.93%	52
66					
67		<u>REALLOCATION FROM CORPORATE</u>			
68	307000	Wells & Springs	6,865	3.33%	229
69	310100	Power Generation Equip Other	15,127	4.42%	669
70	311200	Pump Equip Electric	52,898	4.42%	2,338
71	320100	WT Equip Non-Media	218,139	7.06%	15,401
72	339300	Other P/E Misc	212,320	0.00%	-
73	340200	Comp & Periph Equip	5,078	10.00%	508
74					
75					
76		Total Plant In Service	207,908,557	2.45%	5,088,803
77					
78					
79		Less Non Depreciable Plant			
80	301000	Organization	1,229	0.00%	-
81	302000	Franchises	321,997	0.00%	-
82	303200	Land & Land Rights SS	1,429,017	0.00%	-
83	303300	Land & Land Rights P	(28,462)	0.00%	-
84	303400	Land & Land Rights WT	624,652	0.00%	-
85	303500	Land & Land Rights TD	-	0.00%	-
86		Net Depreciable Plant and Depreciation Amounts	\$ 205,560,124		\$ 5,088,803
87		Composite Depreciation Rate		2.48%	
88		Less			
89		Amortization of Regulatory CIAC at Settlement Rate			(197,344)
90		Amortization of CIAC at Composite Rate	\$ 33,138,836		\$ (820,378)
91		Staff Recommended Depreciation Expense			\$ 4,071,081
92		Company Proposed Depreciation Expense			\$ 4,397,190
93		Staff Adjustment			\$ (326,109)

References:

Col A Schedule GWB-4
Col B Proposed Rates per Staff Engineering Report for Non Allocated Plant
Col C Col [A] times Col [B]

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Surrebuttal Schedule GTM-14

OPERATING INCOME ADJUSTMENT #3 - CHEMICAL EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Chemicals	<u>\$ 1,121,555</u>	<u>\$ (139,625)</u>	<u>\$ 981,930</u>

References:

Column (A), Company Schedule C-1
Column (B): Testimony GTM, GTM-8.12
Column (C): Column (A) + Column (B)

OPERATING ADJUSTMENT #3 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 18,818,613	\$ 18,818,613
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	37,637,226	37,637,226
4	Staff Recommended Revenue	18,818,613	21,377,068
5	Subtotal (Line 4 + Line 5)	56,455,840	59,014,294
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	18,818,613	19,671,431
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	37,637,226	39,342,863
10	Plus: 10% of CWIP - 2005	1,422,630	1,422,630
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	39,059,856	40,765,493
13	Assessment Ratio	0.23	0.230
14	Assessment Value (Line 12 * Line 13)	8,983,767	9,376,063
15	Composite Property Tax Rate - Obtained from ADOR	8.94%	8.94%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 803,072	
17	Company Proposed Property Tax	\$ 803,071	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ 1	
19	Property Tax on Staff Recommended Revenue (Line 14 * Line 15)		\$ 838,140
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 803,072
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 35,068
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 35,068
23	Increase in Revenue Requirement		\$ 2,558,455
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.37067%

REFERENCES:

0

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1, Line 24
Line 21: Line 19 - Line 20
Line 23: Schedule GWB-1, Line 8

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Surrebuttal Schedule GTM-16

OPERATING INCOME ADJUSTMENT #4 - INCOME TAXES

LINE	ACCT		[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
NO.	NO.	DESCRIPTION			
1		Income Taxes	\$ (138,756)	\$ 717,449	\$ 578,694

References:

Column (A), Company Schedule C-2
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

ARIZONA-AMERICAN WATER COMPANY - HAVASU WATER

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Test Year Ended December 31, 2007

SURREBUTTAL TESTIMONY OF GERALD BECKER

TABLE OF CONTENTS TO SCHEDULES :

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GWB- 3	RATE BASE - ORIGINAL COST
GWB- 4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
GWB- 5	RATE BASE ADJUSTMENT #1 - WORKING CAPITAL
GWB- 6	RATE BASE ADJUSTMENT #2 - IMPUTED REGULATORY AIAC
GWB- 7	RATE BASE ADJUSTMENT #3 - DEFERRED DEBITS
GWB- 8	RATE BASE ADJUSTMENT #4 - OVERCAPACITY ARSENIC TREATMENT PLANT
GWB- 9	RATE BASE ADJUSTMENT #5 - TRANSFER OF PLANT TO MOHAVE WATER
GWB- 9A	RATE BASE ADJUSTMENT #6 - AIAC IN CWIP
GWB- 10	OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED
GTM- 11	SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR
GTM- 12	OPERATING INCOME ADJUSTMENT #1 - TANK MAINTENANCE ACCRUAL
GTM- 13	OPERATING INCOME ADJUSTMENT #2 - DEPRECIATION EXPENSE
GTM- 14	OPERATING INCOME ADJUSTMENT #3 - PROPERTY TAX EXPENSE
GTM- 15	OPERATING INCOME ADJUSTMENT #4 - INCOME TAX EXPENSE
GWB- 16	OPERATING INCOME ADJUSTMENT #5 - CHEMICALS EXPENSE

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 4,221,474	\$ 4,221,474	\$ 3,791,385	\$ 3,791,385
2	Adjusted Operating Income (Loss)	\$ (131,419)	\$ (131,419)	\$ 31,245	\$ 31,245
3	Current Rate of Return (L2 / L1)	-3.11%	-3.11%	0.82%	0.82%
4	Required Rate of Return	8.40%	8.40%	7.34%	7.34%
5	Required Operating Income (L4 * L1)	\$ 354,604	\$ 354,604	\$ 278,288	\$ 278,288
6	Operating Income Deficiency (L5 - L2)	\$ (486,023)	\$ 486,023	\$ 247,042	\$ 247,042
7	Gross Revenue Conversion Factor	1.6785	1.6785	1.5452	1.5452
8	Required Revenue Increase (L7 * L6)	\$ (815,804)	\$ 815,804	\$ 381,731	\$ 381,731
9	Adjusted Test Year Revenue	\$ 1,026,586	\$ 1,026,586	\$ 1,026,586	\$ 1,026,586
10	Proposed Annual Revenue (L8 + L9)	\$ 210,782	\$ 210,782	\$ 1,408,317	\$ 1,408,317
11	Required Increase in Revenue (%)	-79.47%	79.47%	37.18%	37.18%
12	Rate of Return on Common Equity (%)	11.50%	11.50%	10.00%	10.00%

References:

Column [A]: Company Schedule A-1

Column (B): Company Schedule A-1

Column (C): Staff Schedules GWB-2, GWB-3, and GWB-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)
<u>Calculation of Gross Revenue Conversion Factor:</u>				
1	Revenue	100.0000%		
2	Uncollectible Factor (Line 11)	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	35.2836%		
5	Subtotal (L3 - L4)	64.7164%		
6	Revenue Conversion Factor (L1 / L5)	1.545204		
<u>Calculation of Uncollectible Factor:</u>				
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	34.3479%		
9	One Minus Combined Income Tax Rate (L7 - L8)	65.6521%		
10	Uncollectible Rate	0.0000%		
11	Uncollectible Factor (L9 * L10)		0.0000%	
<u>Calculation of Effective Tax Rate:</u>				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	6.9680%		
14	Federal Taxable Income (L12 - L13)	93.0320%		
15	Applicable Federal Income Tax Rate (Line 44)	29.4306%		
16	Effective Federal Income Tax Rate (L14 x L15)	27.3799%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		34.3479%	
<u>Calculation of Effective Property Tax Factor</u>				
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (L17)	34.3479%		
20	One Minus Combined Income Tax Rate (L18-L19)	65.6521%		
21	Property Tax Factor (GTM-14, L24)	1.4253%		
22	Effective Property Tax Factor (L20*L21)		0.9357%	
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			35.2836%
24	Required Operating Income (Schedule GWB-1, Line 5)	\$ 278,288		
25	Adjusted Test Year Operating Income (Loss) (Schedule GWB-10, Line 27)	\$ 31,245		
26	Required Increase in Operating Income (L24 - L25)		\$ 247,042	
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 90,400		
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ (38,847)		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 129,248	
30	Recommended Revenue Requirement (Schedule GWB-1, Line 10)	\$ 1,408,317		
31	Uncollectible Rate (Line 10)	0.0000%		
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -		
33	Adjusted Test Year Uncollectible Expense	\$ -		
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -	
35	Property Tax with Recommended Revenue (GTM-15, 20)	\$ 49,625		
36	Property Tax on Test Year Revenue (GTM-15, Col A, L16)	\$ 44,184		
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 5,441	
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 381,731	
39		Staff Adj. Test Year	Staff Recommended	
40	Revenue (Sch GWB-1, Col. [C] L9 & 10)	\$ 1,026,586	\$ 1,408,317	
41	Operating Expenses Excluding Income Taxes	\$ 1,034,188	\$ 1,039,629	
42	Synchronized Interest (L56)	\$ 120,945	\$ 120,945	
43	Arizona Taxable Income (L39 - L40 - L41)	\$ (128,547)	\$ 247,743	
44	Arizona State Income Tax Rate	6.9680%	6.9680%	
45	Arizona Income Tax (L42 x L43)	\$ (8,957)	\$ 17,263	
46	Federal Taxable Income (L43 - L44)	\$ (119,590)	\$ 230,480	
47	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (7,500)	\$ 7,500	
48	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ (6,250)	\$ 6,250	
49	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ (8,500)	\$ 8,500	
50	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ (7,640)	\$ 50,888	
51	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -	\$ -	
52	Total Federal Income Tax	\$ (29,890)	\$ 73,138	
53	Combined Federal and State Income Tax (L44 + L51)	\$ (38,847)	\$ 90,400	
54				
55				29.43%
56	Applicable Federal Income Tax Rate			
57				
58	<u>Calculation of Interest Synchronization:</u>			
59	Rate Base (Schedule GWB-3, Col. (C), Line 18)	\$ 3,791,385	\$ 3,791,385	
60	Weighted Average Cost of Debt	3.1900%	3.1900%	
61	Synchronized Interest (L45 X L46)	\$ 120,945	\$ 120,945	

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 9,837,304	\$ 8,972,287
2	Less: Accumulated Depreciation	\$ 1,327,687	1,281,897
3	Net Plant in Service	<u>\$ 8,509,617</u>	<u>\$ 7,690,390</u>
<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 1,361,843	\$ 1,372,488
5	Less: Accumulated Amortization	6,753	6,753
6	Net CIAC	<u>1,355,090</u>	<u>1,365,735</u>
7	Advances in Aid of Construction (AIAC)	3,217,334	2,561,067
8	Imputed Reg AIAC	-	34,679
9	Imputed Reg CIAC	113,427	113,427
10	Deferred Income Tax Credits (Debits)	(131,385)	(131,385)
	Customer Meter Deposits	512	512
<u>ADD:</u>			
11	Cash Working Capital	102,420	26,315
12	Prepayments	4,556	4,556
13	Supplies Inventory	4,486	4,486
14	Projected Capital Expenditures	-	-
15	Deferred Debits	155,374	9,673
16	Purchase Wastewater Treatment Charges	-	-
17	Original Cost Rate Base	<u>\$ 4,221,474</u>	<u>\$ 3,791,385</u>

References:

Column (A), Company Schedule B-2
Column (B): Schedule GWB-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[E] ADJ #5	[F] ADJ #6	[F] STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>										
1	301000	Organization	10,144							\$ 10,144
2	302000	Franchises	-			\$ -	\$ -	\$ -	\$ -	\$ -
3	303200	Land & Land Rights SS	41,597							\$ 41,597
4	303300	Land & Land Rights P	-							\$ -
5	303500	Land & Land Rights TD	-							\$ -
6	303600	Land & Land Rights AG	-							\$ -
7	304100	Struct & Imp SS	2,096,895					(63,517)		\$ 2,033,378
8	304200	Struct & Imp P	99,968							\$ 99,968
9	304300	Struct & Imp WT	-							\$ -
10	304400	Struct & Imp TD	-							\$ -
11	304600	Struct & Imp Offices	20,698							\$ 20,698
12	304800	Struct & Imp Misc	-							\$ -
13	305000	Collect & Impounding	148,253							\$ 148,253
14	307000	Wells & Springs	573,245					(258,428)		\$ 314,817
15	310100	Power Generation Equip Other	50,935					(50,355)		\$ 580
16	311200	Pump Equip Electric	1,352,954					(57,926)		\$ 1,295,028
17	311300	Pump Equip Diesel	-							\$ -
18	311500	Pump Equip Other	4,202							\$ 4,202
19	320100	WT Equip Non-Media ¹	258,942				(143,685)			\$ 115,257
20	330000	Dist Reservoirs & Standpipe	1,356,012					(99,695)		\$ 1,256,317
21	331001	TD Mains Not Classified by Size	758,554							\$ 758,554
22	331100	TD Mains 4in & Less	442,775							\$ 442,775
23	331200	TD Mains 6in to 8in	959,064					(108,829)		\$ 850,235
24	331300	TD Mains 10in to 16in	730,665							\$ 730,665
25	333000	Services	278,916							\$ 278,916
26	334100	Meters	175,586							\$ 175,586
27	334200	Meter Installations	17,253							\$ 17,253
28	335000	Hydrants	-							\$ -
29	339100	Other P/E Intangible	-							\$ -
30	339250	Other P/E SS	116,045					(62,582)		\$ 33,463
31	340100	Office Furniture & Equip	3,254							\$ 3,254
32	340200	Comp & Periph Equip	23,678							\$ 23,678
33	341100	Trans Equip Lt Duty Trks	76,510							\$ 76,510
34	341200	Trans Equip Hvy Duty Trks	-							\$ -
35	342000	Stores Equipment	-							\$ -
36	343000	Tools,Shop,Garage Equip	17,822							\$ 17,822
37	344000	Laboratory Equipment	460							\$ 460
38	345000	Power Operated Equipment	33,093							\$ 33,093
39	346100	Comm Equip Non-Telephone	11,702							\$ 11,702
40	346300	Comm Equip Other	44,413							\$ 44,413
41										\$ -
42	<u>CORPORATION ALLOCATION</u>									
43	304620	Struct & Imp Leasehold	2,261							\$ 2,261
44	331001	Mains	-							\$ -
45	340100	Office Furniture & Equip	11,195							\$ 11,195
46	340200	Comp & Periph Equip	4,553							\$ 4,553
47	340300	Computer Software	17,917							\$ 17,917
48	340300	Computer Software-Other	465							\$ 465
49	343000	Tools,Shop,Garage Equip	383							\$ 383
50	346100	Comm Equip Non-Telephone	1,852							\$ 1,852
51	346300	Comm Equip Other	49							\$ 49
52										\$ -
53	<u>Post Test Year Arsenic O&M Deferral:</u>									
54	Cost for Media Replacement in Havasu (March, 2008)		\$88,300							\$ 88,300
55	Add AFUDC - Cost times rate times # of months		\$6,696							\$ 6,696
56	Subtotal \$94,996									\$ -
57										\$ -
58										\$ -
59										\$ -
60										\$ -
61										\$ -
62										\$ -
63										\$ -
64	Total Plant in Service		<u>9,837,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,685)</u>	<u>(721,332)</u>	<u>-</u>	<u>8,972,287</u>
65										
66	Accumulated Depreciation		<u>1,327,687</u>					<u>(45,790)</u>		<u>1,281,897</u>
67	Net Plant in Service (L58 - L 59)		<u>\$ 8,509,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (143,685)</u>	<u>\$ (675,542)</u>	<u>\$ -</u>	<u>\$ 7,690,390</u>
68										
69	<u>LESS:</u>									
70	Contributions in Aid of Construction (CIAC)		\$ 1,361,843		\$ -	\$ -	\$ -		\$ 10,645	\$ 1,372,488
71	Less: Accumulated Amortization		6,753							6,753
72	Net CIAC (L63 - L64)		1,355,090						10,645	1,365,735
73	Advances in Aid of Construction (AIAC)		3,217,334					(656,267)		2,561,067
74	Imputed Reg Advances		-		\$34,679					34,679
75	Imputed Reg CIAC		113,427							113,427
76	Deferred Income Tax Credits (Debits)		(131,385)							(131,385)
77	Customer Meter Deposits		512							512
78	<u>ADD:</u>									
79	Working Capital Allowance		102,420	(76,105)						26,315
80	Pumping Power		-							-
81	Purchase Wastewater Treatment Charges		-							-
82	Material and Supplies Inventory		4,486							4,486
83	Prepayments		4,556							4,556
84	Projected Capital Expenditures		-							-
85	Deferred Debits		155,374			(145,701)				9,673
86	Original Cost Rate Base		<u>\$ 4,221,474</u>	<u>\$ (76,105)</u>	<u>\$ (34,679)</u>	<u>\$ (145,701)</u>	<u>\$ (143,685)</u>	<u>\$ (19,275)</u>	<u>\$ (10,645)</u>	<u>\$ 3,791,385</u>

ADJ #	References:
1	Working Capital
2	Imputed Reg AIAC
3	Deferred Debits
4	Overcapacity of Arsenic Treatment Plant
5	Transfer of Plant to Mohave Water
6	CIAC removed on CWIP
	Schedule GWB-5
	Schedule GWB-6
	Schedule GWB-7
	Schedule GWB-8
	Schedule GWB-9
	Schedule GWB-9A

¹ Company described asset as WT Equip non-media however per engineering report it should be Water Treatment Equipment-Media (which is for arsenic treatment plant).

RATE BASE ADJUSTMENT #1 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 204,741	\$ -	\$ 204,741	12.00	\$ 2,456,893
2	Purchased Water	\$ -	\$ -	\$ -	86.87	\$ -
3	Fuel & Power	\$ 111,139	\$ -	\$ 111,139	32.42	\$ 3,603,126
4	Chemicals	\$ 88,249	\$ -	\$ 88,249	28.47	\$ 2,737,818
5	Waste Disposal	\$ (52)	\$ -	\$ (52)	30.00	\$ (1,560)
6	Management Fees	\$ 166,461	\$ -	\$ 166,461	(3.88)	\$ (645,869)
7	Group Insurance	\$ 63,729	\$ -	\$ 63,729	(4.64)	\$ (295,701)
8	Pensions	\$ 35,586	\$ -	\$ 35,586	45.00	\$ 1,601,358
9	Regulatory Expense	\$ 3,840	\$ -	\$ 3,840	30.00	\$ 115,200 *
10	Insurance Other Than Group	\$ 8,974	\$ -	\$ 8,974	45.00	\$ 403,830
11	Customer Accounting	\$ 22,062	\$ -	\$ 22,062	7.46	\$ 164,583
12	Rents	\$ 5,059	\$ -	\$ 5,059	(10.68)	\$ (54,030)
13	General Office Expense	\$ 13,616	\$ -	\$ 13,616	30.00	\$ 408,480 *
14	Miscellaneous	\$ 42,644	\$ -	\$ 42,644	30.00	\$ 1,279,308 *
15	Maintenance Expense	\$ 198,697	\$ -	\$ 10,747	30.00	\$ 322,400 *
16	Taxes Other Than Income-Property Taxes	\$ 44,112	\$ -	\$ 49,625	212.50	\$ 10,545,373
17	Taxes Other Than Income-Other	\$ 17,638	\$ -	\$ 17,638	15.65	\$ 276,029
18	Income Taxes	\$ (159,839)	\$ -	\$ 90,400	42.04	\$ 3,800,435
19	Interest	\$ -	\$ 120,566	\$ 120,566	106.52	\$ 12,842,694
20	Total Operating Expenses	\$ 866,655	\$ 120,566	\$ 1,062,939	764.73	\$ 39,560,365
21						
22						
23	Expense Lag	Line 21, Col. (E) / Col [C]	37.22			
24	Revenue Lag	Company Workpapers	46,254			
25	Net Lag	Line 24 - 23	9.04			
26	Staff Adjusted Expenses	Line 20, Col 35	1,062,939			
27	Cash Working Capital	Line 25 * Line 26/365 day	26,315			
28	Company As Filed	Co Schedule B-5	102,420			
29	Staff Adjustment	To GWB-4	(76,105)			
30						

References:

- 31 Column [A]: Company Schedule C-1
- 32 Column [B]: Staff adjustments to expenses, See Testimony GWB
- 33 Column [C]: Column [A] + Column [B]
- 34 Column [D]: Expense Lags Used on Docket WS-01303A-06-0403, approved in Decision No. 70372
- 35 Column [E]: Column [C] * Column [D]

RATE BASE ADJUSTMENT #2 - IMPUTED REGULATORY AIAC

LINE NO.	DESCRIPTION	[A] YEAR OF ADVANCE	[B] ADVANCE AMOUNT	[C] CIAC AMORTIZED	(D) CIAC REMAING BALANCE
1	Beginning Balance Per Decision No. 67093	2001	\$ 418,704		\$ 418,704
2	None	2002	-	61,945	356,759
3	None	2003	-	64,416	292,343
4	None	2004	-	64,416	227,927
5		2005		64,416	163,511
6		2006		64,416	99,095
7	None	2007	-	64,416	34,679
8	Per Staff		<u>\$ 418,704</u>	<u>\$ 384,025</u>	<u>\$ 34,679</u>
9	Company Proposed Imputed Reg. AIAC				-
10	Staff Adjustment			\$ -	<u>\$ 34,679</u>

REFERENCES:

Columns [A]: Fiscal Years

Column [B]: Beginning Balance per Decision No. 67093

Column [C]: Annual Amortization of Col [B] using 6.5 year recovery period per Decision No. 67093

Column [D]: CIAC per Decision No. 67093, less amortization.

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Schedule GWB - 7
SURREBUTTAL

RATE BASE ADJUSTMENT #3 - DEFERRED DEBITS

LINE NO.	DESCRIPTION		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	At December 31, 2007	2007	155,374	(145,701)	9,673
6			<u>\$ 155,374</u>	<u>\$ (145,701)</u>	<u>\$ 301,075</u>

REFERENCES:

Columns [A]: Company schedules
Column [B]: Column [C] less Column [A]
Column [C]: See testimony GWB

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Schedule GWB - 8
SURREBUTTAL

RATE BASE ADJUSTMENT #4 - OVERCAPACITY OF ARESENIC TREATMENT PLANT

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
32010	WT Equip Non-Media	258,942	\$ (143,685)	\$ 115,257

References:

Column [A]: Amounts included in plant balances per filing.

Column [B]: Per Testimony GWB and Dorothy Hains

Column [C]: Column [A] plus Column [B]

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Schedule GWB - 9
SURREBUTTAL

RATE BASE ADJUSTMENT #5 - TRANSFER OF PLANT AND CIAC TO MOHAVE WATER

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
304100	Struct & Imp SS	\$ 2,096,895	\$ (63,517)	\$ 2,033,378
307000	Wells & Springs	573,245	(258,428)	314,816
310100	Power Generation Equip Other	50,935	(50,355)	580
311200	Pump Equip Electric	1,352,954	(57,926)	1,295,027
330000	Dist Reservoirs & Standpipe	1,356,012	(99,695)	1,256,317
331200	TD Mains 6in to 8in	959,064	(108,829)	850,235
339250	Other P/E SS	116,045	(82,582)	33,463
Grand Total		\$ 6,505,149	\$ (721,333)	5,783,816
<u>For Associated Plant:</u>				
	ACCUMULATED DEPRECIATION	1,327,687	\$ (45,790)	\$ 1,281,897
	AIAC	3,217,334	\$ (656,267)	\$ 2,561,067

References:

Column [A]: Amounts included in plant balances per filing.
Column (B): Per Testimony GWB
Column (C): Column [A] plus Column [B]

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Schedule GWB - 9A
SURREBUTTAL

RATE BASE ADJUSTMENT #6 - CIAC ON CWIP

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
AIAC		1,355,090	\$ 10,645	\$ 1,365,735

References:

Column [A]: Amounts included Per filing.

Column [B]: Per Testimony GWB

Column [C]: Column [A] plus Column [B]

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1						
2	Water Revenues	\$ 1,003,476	\$ -	\$ 1,003,476	\$ 381,731	\$ 1,385,207
3	Other Revenues	23,110	-	23,110	-	23,110
4	Other	-	-	-	-	-
5	Total Operating Revenues	\$ 1,026,586	\$ -	\$ 1,026,586	\$ 381,731	\$ 1,408,317
6						
7	Labor	\$ 204,741	\$ -	204,741	\$ -	\$ 204,741
8	Purchased Water	-	-	-	-	-
9	Fuel & Power	111,139	-	111,139	-	111,139
10	Chemicals	88,249	7,916	96,165	-	96,165
11	Waste Disposal	(52)	-	(52)	-	(52)
12	Management Fees	166,461	-	166,461	-	166,461
13	Group Insurance	63,729	-	63,729	-	63,729
14	Pensions	35,586	-	35,586	-	35,586
15	Regulatory Expense	3,840	-	3,840	-	3,840
16	Insurance Other Than Group	8,974	-	8,974	-	8,974
17	Customer Accounting	22,062	-	22,062	-	22,062
18	Rents	5,059	-	5,059	-	5,059
19	General Office Expense	13,616	-	13,616	-	13,616
20	Miscellaneous	42,644	-	42,644	-	42,644
21	Maintenance Expense	198,697	(187,950)	10,747	-	10,747
22	Depreciation & Amortization	291,351	(103,694)	187,656	-	187,656
23	General Taxes-Property Taxes	44,112	73	44,184	5,441	49,625
24	General Taxes-Other	17,638	-	17,638	-	17,638
25	Income Taxes	(159,839)	120,992	(38,847)	129,248	90,400
26	Total Operating Expenses	1,158,005	(162,665)	995,341	134,689	1,130,029
27	Operating Income (Loss)	\$ (131,419)	\$ 162,665	\$ 31,245	\$ 247,042	\$ 278,288

References:

Column (A): Company Schedule C-1
Column (B): Schedule GWB 11
Column (C): Column (A) + Column (B)
Column (D): Schedules GWB 2, Lines 29 and 37
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Tank Maint. ADJ #1	[C] Depreciation Exp. ADJ #2	[D] Property Taxes ADJ #3	[E] Income Taxes ADJ #4	[F] Chemicals ADJ #5	[G] STAFF ADJUSTED
1								\$ 1,003,476
2	Water Revenues	\$ 1,003,476	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,110
3	Other Revenues	23,110	-	-	-	-	-	\$ -
4	Other	-	-	-	-	-	-	\$ -
5	Total Operating Revenues	\$ 1,026,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,026,586
6								
7	Labor	\$ 204,741	\$ -	\$ -	\$ -	\$ -	\$ -	204,741
8	Purchased Water	-	-	-	-	-	-	-
9	Fuel & Power	111,139	-	-	-	-	-	111,139
10	Chemicals	88,249	-	-	-	-	7,916	96,165
11	Waste Disposal	(52)	-	-	-	-	-	(52)
12	Management Fees	166,461	-	-	-	-	-	166,461
13	Group Insurance	63,729	-	-	-	-	-	63,729
14	Pensions	35,586	-	-	-	-	-	35,586
15	Regulatory Expense	3,840	-	-	-	-	-	3,840
16	Insurance Other Than Group	8,974	-	-	-	-	-	8,974
17	Customer Accounting	22,062	-	-	-	-	-	22,062
18	Rents	5,059	-	-	-	-	-	5,059
19	General Office Expense	13,616	-	-	-	-	-	13,616
20	Miscellaneous	42,644	-	-	-	-	-	42,644
21	Maintenance Expense	198,697	(187,950)	-	-	-	-	10,747
22	Depreciation & Amortization	291,351	-	(103,694)	-	-	-	187,656
23	General Taxes-Property Taxes	44,112	-	-	73	-	-	44,184
24	General Taxes-Other	17,638	-	-	-	-	-	17,638
25	Income Taxes	(159,839)	-	-	-	120,992	-	(38,847)
26	Total Operating Expenses	\$ 1,158,005	\$ (187,950)	\$ (103,694)	\$ 73	\$ 120,992	\$ 7,916	\$ 995,341
27	Operating Income (Loss)	\$ (131,419)	\$ 187,950	\$ 103,694	\$ (73)	\$ (120,992)	\$ (7,916)	\$ 31,245

ADJ #	References:
1	Tank Maintenance Accrual GTM 12
2	Depreciation Expense GTM 13
3	Property Taxes GTM 14
5	Income Taxes GTM15
5	Chemicals GTM 16

OPERATING INCOME ADJUSTMENT #1 - TANK MAINTENANCE ACCRUAL

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Maintenance Expense	\$ 198,697	\$ (187,950)	\$ 10,747

Repair and Maintenance Expenses	
Calendar year 2005	16,662
Calendar year 2006	6,712
Calendar year 2007	8,866
Total for three year period	<u>32,240</u>
Normalization Period	3
Normalized Amount	10,747

References:

Column (A), Company Schedule C-1
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

OPERATING ADJUSTMENT #2- DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	DESCRIPTION	(A) PLANT BALANCE	(B) DEPRECIATION RATE	(C) DEPRECIATION EXPENSE
1		<u>PLANT IN SERVICE:</u>			
2	301000	Organization	10,144	0.00%	-
3	302000	Franchises	-	0.00%	-
4	303200	Land & Land Rights SS	41,597	0.00%	-
5	303300	Land & Land Rights P	-	0.00%	-
6	303500	Land & Land Rights TD	-	0.00%	-
7	303600	Land & Land Rights AG	-	0.00%	-
8	304100	Struct & Imp SS	2,033,378	2.58%	52,461
9	304200	Struct & Imp P	99,968	0.00%	-
10	304300	Struct & Imp WT	-	0.00%	-
11	304400	Struct & Imp TD	-	-	-
12	304600	Struct & Imp Offices	20,698	2.58%	534
13	304800	Struct & Imp Misc	-	0.00%	-
14	305000	Collect & Impounding	148,253	2.54%	3,766
15	307000	Wells & Springs	314,817	2.54%	7,996
16	310100	Power Generation Equip Other	580	3.83%	22
17	311200	Pump Equip Electric	1,295,028	3.83%	49,600
18	311300	Pump Equip Diesel	-	-	-
19	311500	Pump Equip Other	4,202	0.00%	-
20	320100	Water Treatment Equipment non-media	258,942	5.00%	12,947
21	330000	Dist Reservoirs & Standpipe	1,256,317	2.33%	29,272
22	331001	TD Mains Not Classified by Size	758,554	2.10%	15,930
23	331100	TD Mains 4in & Less	442,775	2.10%	9,298
24	331200	TD Mains 6in to 8in	850,235	2.10%	17,855
25	331300	TD Mains 10in to 16in	730,665	2.10%	15,344
26	333000	Services	135,231	2.89%	3,908
27	334100	Meters	175,586	3.52%	6,181
28	334200	Meter Installations	17,253	3.52%	607
29	335000	Hydrants	-	1.99%	-
30	339100	Other P/E Intangible	-	-	-
31	339250	Other P/E SS	33,463	0.00%	-
32	340100	Office Furniture & Equip	3,254	4.47%	145
33	340200	Comp & Periph Equip	23,678	10.00%	2,368
34	341100	Trans Equip Lt Duty Trks	76,510	20.00%	15,302
35	341200	Trans Equip Hvy Duty Trks	-	15.00%	-
36	342000	Stores Equipment	-	3.93%	-
37	343000	Tools, Shop, Garage Equip	17,822	4.49%	800
38	344000	Laboratory Equipment	460	3.06%	14
39	345000	Power Operated Equipment	33,093	2.55%	844
40	346100	Comm Equip Non-Telephone	11,702	8.37%	979
41	346300	Comm Equip Other	44,413	6.19%	2,749
42			-	-	-
43		<u>CORPORATION ALLOCATION</u>			
44	304620	Struct & Imp Leasehold	2,261	14.28%	323
45	331001	Mains	-	2.10%	-
46	340100	Office Furniture & Equip	11,195	4.47%	500
47	340200	Comp & Periph Equip	4,553	10.00%	455
48	340300	Computer Software	17,917	25.00%	4,479
49	340300	Computer Software-Other	465	25.00%	116
50	343000	Tools, Shop, Garage Equip	383	4.49%	17
51	346100	Comm Equip Non-Telephone	1,852	8.37%	155
52	346300	Comm Equip Other	49	6.19%	3
53			-	-	-
54		<u>Post Test Year Arsenic O&M Deferral:</u>			
55		Cost for Media Replacement in Havasu (March, 2008)	88,300	-	-
56		Add AFUDC - Cost times rate times # of months	6,696	-	-
57			-	-	-
58		Rounding	-	-	-
59		Total Plant in Service	8,972,287	2.84%	254,973
60					
61					
62		Less Non Depreciable Plant			
63	301000	Organization	10,144	0.00%	-
64	303200	Land & Land Rights SS	41,597	0.00%	-
65	303600	Land & Land Rights AG	-	0.00%	-
66					
67		Net Depreciable Plant and Depreciation Amounts	\$ 8,920,546	2.86%	\$ 254,973
68		Composite Depreciation Rate			
69		Less			
70		Amortization of Regulatory CIAC at Settlement Rate			28,087
71		Amortization of CIAC at Composite Rate	\$ 1,372,488		\$ 39,229
72		Staff Recommended Depreciation Expense			\$ 187,656
73		Company Proposed Depreciation Expense			291,351
74		Staff Adjustment			\$ (103,694)

<u>References:</u>	
Col A	Schedule GWB-4
Col B	Proposed Rates per Staff Engineering Report for Non Allocated Plant
Col C	Col [A] times Col [B]

OPERATING ADJUSTMENT #3 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2005	\$ 1,026,586	\$ 1,026,586
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	2,053,172	2,053,172
4	Staff Recommended Revenue	1,026,586	1,408,317
5	Subtotal (Line 4 + Line 5)	3,079,758	3,461,489
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,026,586	1,153,830
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,053,172	2,307,659
10	Plus: 10% of CWIP - 2005	13,454	13,454
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,066,626	2,321,113
13	Assessment Ratio	0.23	0.230
14	Assessment Value (Line 12 * Line 13)	475,324	533,856
15	Composite Property Tax Rate - Obtained from ADOR	9.30%	9.30%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 44,184	
17	Company Proposed Property Tax	\$ 44,112	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ 73	
19	Property Tax on Staff Recommended Revenue (Line 14 * Line 15)		\$ 49,625
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 44,184
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 5,441
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 5,441
23	Increase in Revenue Requirement		\$ 381,731
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.42533%

REFERENCES:

0

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue

Line 17: Company Schedule C-1, Line 24

Line 21: Line 19 - Line 20

Line 23: Schedule GWB-1, Line 8

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Surrebuttal Schedule GTM-15

OPERATING INCOME ADJUSTMENT #4 - INCOME TAXES

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Taxes	<u>\$ (159,839)</u>	<u>\$ 120,992</u>	<u>\$ (38,847)</u>

References:

Column (A), Company Schedule C-2

Column (B): Testimony GTM

Column (C): Column (A) + Column (B)

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Surrebuttal Schedule GTM-16

OPERATING INCOME ADJUSTMENT #5 - CHEMICAL EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Chemicals	<u>\$ 88,249</u>	<u>\$ 7,916</u>	<u>\$ 96,165</u>

References:

Column (A), Company Schedule C-1
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

ARIZONA-AMERICAN WATER COMPANY - MOHAVE WATER

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SURREBUTTAL TESTIMONY OF GERALD BECKER

TABLE OF CONTENTS TO SCHEDULES :

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GWB- 1	REVENUE REQUIREMENT
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GWB- 3	RATE BASE - ORIGINAL COST
GWB- 4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
GWB- 5	RATE BASE ADJUSTMENT #1- PLANT, ACCUMULATED DEPRECIATION & AIAC
GWB- 6	RATE BASE ADJUSTMENT #2 - WORKING CAPITAL
GWB- 7	RATE BASE ADJUSTMENT #3 - IMPUTED REGULATORY AIAC
GWB- 8	RATE BASE ADJUSTMENT #4 - DEFERRED DEBITS
GWB- 9	RATE BASE ADJUSTMENT #5 - POST TEST YEAR PLANT
GWB- 9A	RATE BASE ADJUSTMENT #6 - CIAC/ AIAC ON CWIP
GWB- 9B	RATE BASE ADJUSTMENT #7 - TRANSFER OF PLANT FROM HAVASU
GWB- 10	OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED
GTM- 11	SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR
GTM- 12	OPERATING INCOME ADJUSTMENT #1 - TANK MAINTENANCE ACCRUAL
GTM- 13	OPERATING INCOME ADJUSTMENT #2 - DEPRECIATION EXPENSE
GTM- 14	OPERATING INCOME ADJUSTMENT #3 - PROPERTY TAX EXPENSE
GTM- 15	OPERATING INCOME ADJUSTMENT #4 - INCOME TAX EXPENSE

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 12,041,310	\$ 12,041,310	\$ 8,909,632	\$ 8,909,632
2	Adjusted Operating Income (Loss)	\$ 37,140	\$ 37,140	\$ 513,875	\$ 513,875
3	Current Rate of Return (L2 / L1)	0.31%	0.31%	5.77%	5.77%
4	Required Rate of Return	8.40%	8.40%	7.34%	7.34%
5	Required Operating Income (L4 * L1)	\$ 1,011,470	\$ 1,011,470	\$ 653,967	\$ 653,967
6	Operating Income Deficiency (L5 - L2)	\$ 974,330	\$ 974,330	\$ 140,092	\$ 140,092
7	Gross Revenue Conversion Factor	1.6990	1.6990	1.6524	1.6524
8	Required Revenue Increase (L7 * L6)	\$ 1,655,405	\$ 1,655,405	\$ 231,490	\$ 231,490
9	Adjusted Test Year Revenue	\$ 5,113,631	\$ 5,113,631	\$ 5,113,631	\$ 5,113,631
10	Proposed Annual Revenue (L8 + L9)	\$ 6,769,036	\$ 6,769,036	\$ 5,345,121	\$ 5,345,121
11	Required Increase in Revenue (%)	32.37%	32.37%	4.53%	4.53%
12	Rate of Return on Common Equity (%)	11.50%	11.50%	10.00%	10.00%

References:

Column [A]: Company Schedule A-1

Column (B): Company Schedule A-1

Column (C): Staff Schedules GWB-2, GWB-3, and GWB-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.4824%					
5	Subtotal (L3 - L4)	60.5176%					
6	Revenue Conversion Factor (L1 / L5)	1.652412					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	38.5989%					
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (Line 44)	34.0000%					
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%					
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.5989%				
<u>Calculation of Effective Property Tax Factor:</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	38.5989%					
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%					
21	Property Tax Factor (GTM-14, L24)	1.4390%					
22	Effective Property Tax Factor (L20*L21)		0.8835%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.4824%			
24	Required Operating Income (Schedule GWB-1, Line 5)	\$ 653,967					
25	Adjusted Test Year Operating Income (Loss) (Schedule GWB-10, Line 29)	\$ 513,875					
26	Required Increase in Operating Income (L24 - L25)		\$ 140,092				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 232,438					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ 144,371					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 88,067				
30	Recommended Revenue Requirement (Schedule GWB-1, Line 10)	\$ 5,345,121					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue (GTM-15, 20)	\$ 224,370					
36	Property Tax on Test Year Revenue (GTM-15, Col A, L16)	\$ 221,039					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 3,331				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 231,491				

Calculation of Income Tax:

39	Revenue (Sch GWB-1, Col. (C) L9 & 10)	\$ 5,113,631
40	Operating Expenses Excluding Income Taxes	\$ 4,455,386
41	Synchronized Interest (L56)	\$ 284,217
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 374,028
43	Arizona State Income Tax Rate	6.9680%
44	Arizona Income Tax (L42 x L43)	\$ 26,062
45	Federal Taxable Income (L43 - L44)	\$ 347,966
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ 6,250
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 8,500
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 91,650
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ 4,408
51	Total Federal Income Tax	\$ 118,308
52	Combined Federal and State Income Tax (L44 + L51)	\$ 144,371

53 Effective Tax Rate

Calculation of Interest Synchronization:

54	Rate Base (Schedule GWB-3, Col. (C), Line 18)	\$ 8,909,632
55	Weighted Average Cost of Debt	3.1900%
56	Synchronized Interest (L45 X L46)	\$ 284,217

(A)	(B)	(C)
Test Year	Mohave Water	
	\$ 5,113,631	
	\$ 4,455,386	
	\$ 284,217	
\$ -	\$ -	\$ 374,028
		6.9680%
\$ -	\$ -	\$ 26,062
\$ -	\$ -	\$ 347,966
\$ -	\$ -	\$ 7,500
\$ -	\$ -	\$ 6,250
\$ -	\$ -	\$ 8,500
\$ -	\$ -	\$ 91,650
\$ -	\$ -	\$ 4,408
\$ -	\$ -	\$ 118,308
\$ -	\$ -	\$ 144,371

(D)	(E)	(F)
Staff Recommended	Mohave Water Only	Mohave Water Only
Mohave Water		
\$ 5,345,121		
\$ 4,458,717		
\$ 284,217		
\$ 602,188	\$ -	\$ -
\$ 6,9680%		
\$ 41,960	\$ -	\$ -
\$ 560,228	\$ -	\$ -
\$ 7,500	\$ -	\$ -
\$ 6,250	\$ -	\$ -
\$ 8,500	\$ -	\$ -
\$ 91,650	\$ -	\$ -
\$ 76,577	\$ -	\$ -
\$ 190,477	\$ -	\$ -
\$ 232,438	\$ -	\$ -

34.0000%

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 28,800,225	\$ 28,391,850
2	Less: Accumulated Depreciation	13,084,198	13,106,093
3	Net Plant in Service	<u>\$ 15,716,027</u>	<u>\$ 15,285,757</u>
<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 107,549	\$ 202,001
5	Less: Accumulated Amortization	4	4
6	Net CIAC	<u>107,545</u>	<u>201,997</u>
7	Advances in Aid of Construction (AIAC)	5,947,009	6,376,209
8	Imputed Reg AIAC	-	348,557
9	Imputed Reg CIAC	1,157,044	1,157,044
10	Deferred Income Tax Credits (Debits)	(1,360,455)	(1,360,455)
	Customer Meter Deposits	7,800	7,800
<u>ADD:</u>			
11	Cash Working Capital	367,562	188,335
12	Prepayments	57,963	57,963
13	Supplies Inventory	8,897	8,897
14	Projected Capital Expenditures	-	-
15	Deferred Debits	1,749,805	99,833
16	Purchase Wastewater Treatment Charges	-	-
17	Original Cost Rate Base	<u>\$ 12,041,310</u>	<u>\$ 8,909,632</u>

References:

Column (A), Company Schedule B-2
Column (B): Schedule GWB-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[E] ADJ #5	[F] ADJ #6	[G] ADJ #7	[F] STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>											
1	301000	Organization	34,004								\$ 34,004
2	302000	Franchises	37,061						\$ -	\$ -	\$ 37,061
3	303200	Land & Land Rights SS	290,792								\$ 290,792
4	303300	Land & Land Rights P	2,351								\$ 2,351
5	303500	Land & Land Rights TD	9,609								\$ 9,609
6	303600	Land & Land Rights AG	31,052								\$ 31,052
7	304100	Struct & Imp SS	389,266							63,517	\$ 452,783
8	304200	Struct & Imp P	1,687								\$ 1,687
9	304300	Struct & Imp WT	47,846								\$ 47,846
10	304400	Struct & Imp TD	4,583								\$ 4,583
11	304510	Struct & Imp AG Cap Lease	-								\$ -
12	304600	Struct & Imp Offices	457,148								\$ 457,148
13	304700	Struct & Imp Store, Shop, Garage	29,223								\$ 29,223
14	305000	Collect & Impounding	663,944								\$ 663,944
15	307000	Wells & Springs	807,515							258,428	\$ 1,065,943
16	310100	Power Generation Equip Other	137,874							57,926	\$ 188,229
17	311200	Pump Equip Electric	2,264,799								\$ 2,322,725
18	311300	Pump Equip Diesel	-								\$ -
19	311500	Pump Equip Other	1,009								\$ 1,009
20	320100	WT Equip Non-Media	50,870								\$ 50,870
21	330000	Dist Reservoirs & Standpipe	1,584,129					(490,772)		99,695	\$ 1,193,052
22	331001	TD Mains Not Classified by Size	49,470					(59,875)			\$ (10,405)
23	331100	TD Mains 4in & Less	11,718,645								\$ 11,718,645
24	331200	TD Mains 6in to 8in	2,367,285	(518,976)						108,829	\$ 1,957,138
25	331300	TD Mains 10in to 16in	216,751					(60,084)			\$ 156,667
26	333000	Services	3,447,830								\$ 3,447,830
27	334100	Meters	1,770,642								\$ 1,770,642
28	334200	Meter Installations	236,697								\$ 236,697
29	335000	Hydrants	36,473								\$ 36,473
30	339250	Other P/E SS	-							82,582	\$ 82,582
31	339500	Other P/E TD	-								\$ -
32	340100	Office Furniture & Equip	137,645								\$ 137,645
33	340200	Comp & Periph Equip	66,842								\$ 66,842
34	340300	Computer Software	833								\$ 833
35	341100	Trans Equip LI Duty Trks	343,147								\$ 343,147
36	341200	Trans Equip Hvy Duty Trks	-								\$ -
37	342000	Stores Equipment	2,400								\$ 2,400
38	343000	Tools, Shop, Garage Equip	134,138								\$ 134,138
39	344000	Laboratory Equipment	7,623								\$ 7,623
40	345000	Power Operated Equipment	172,529								\$ 172,529
41	346100	Comm Equip Non-Telephone	180,533								\$ 180,533
42	346200	Comm Equip Telephone	49,678								\$ 49,678
43	346300	Comm Equip Other	5,110								\$ 5,110
44											\$ -
45	<u>CORPORATE PLANT ALLOCATION</u>										\$ -
46	304620	Struct & Imp Leasehold	23,411								\$ 23,411
47	331001	Mains	-								\$ -
48	340100	Office Furniture & Equip	115,919								\$ 115,919
49	340200	Comp & Periph Equip	47,147								\$ 47,147
50	340300	Computer Software	185,522								\$ 185,522
51	340300	Computer Software-Other	4,819								\$ 4,819
52	343000	Tools, Shop, Garage Equip	3,963								\$ 3,963
53	346100	Comm Equip Non-Telephone	19,175								\$ 19,175
54	346300	Comm Equip Other	505								\$ 505
55											\$ -
56	<u>POST TEST YEAR PLANT</u>										\$ -
57	330000	Dist Reservoirs & Standpipe	490,772								\$ 490,772
58	331300	TD Mains 10in to 16in	60,084								\$ 60,084
59	331400	TD Mains Greater than 18"	59,875								\$ 59,875
60											\$ -
61											\$ -
62											\$ -
63	Total Plant in Service		28,800,226	(518,976)	-	-	-	(610,731)	-	721,332	28,391,851
64			28,281,250								
65	ACCUMULATED DEPRECIATION		13,084,198	(23,895)	-	-	-	-	-	45,790	13,106,093
66	Net Plant in Service (L58 - L 59)		\$ 15,716,028	\$ (495,081)	\$ -	\$ -	\$ -	\$ (610,731)	\$ -	\$ 676,542	\$ 15,285,758
67											
68	<u>LESS:</u>										
69	Contributions in Aid of Construction (CIAC)		\$ 107,549		\$ -	\$ -	\$ -	\$ -	\$ 94,452	\$ -	\$ 202,001
70	Less: Accumulated Amortization		4		-	-	-	-	-	-	4
71	Net CIAC (L63 - L64)		107,545		-	-	-	-	94,452	-	201,997
72	Advances in Aid of Construction (AIAC)		5,947,009	(518,976)	-	348,557	-	-	291,909	656,267	6,376,209
73	Imputed Reg Advances		-	-	-	-	-	-	-	-	348,557
74	Imputed Reg CIAC		1,157,044	-	-	-	-	-	-	-	1,157,044
75	Deferred Income Tax Credits (Debits)		(1,360,455)	-	-	-	-	-	-	-	(1,360,455)
76	Customer Meter Deposits		7,800	-	-	-	-	-	-	-	7,800
77	<u>ADD:</u>										
78	Working Capital Allowance		367,562	-	(179,227)	-	-	-	-	-	188,335
79	Pumping Power		-	-	-	-	-	-	-	-	-
80	Purchase Wastewater Treatment Charges		-	-	-	-	-	-	-	-	-
81	Material and Supplies Inventory		8,897	-	-	-	-	-	-	-	8,897
82	Prepayments		57,963	-	-	-	-	-	-	-	57,963
83	Projected Capital Expenditures		-	-	-	-	-	-	-	-	-
84	Deferred Debits		1,749,805	-	-	-	(1,649,972)	-	-	-	99,833
85	Original Cost Rate Base		\$ 12,041,311	\$ 23,895	\$ (179,227)	\$ -	\$ (1,649,972)	\$ (610,731)	\$ (386,361)	\$ 19,275	\$ 8,909,632

ADJ #	References:
1	Plant, Accumulated Depreciation and AIA Schedule GWB-5
2	Working Capital Schedule GWB-6
3	Imputed Reg AIAC Schedule GWB-7
4	Deferred Debits Schedule GWB-8
5	Post Test Year Plant Schedule GWB-9
6	CIAC/AIAC on CWIP Schedule GWB-9A
7	Transfer of Plant from Havasu Schedule GWB-9B

RATE BASE ADJUSTMENT #1 - PLANT, ACCUMULATED DEPRECIATION, AND AIAC

LINE NO.	ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	331.20	WinterHaven Subdivision Plant	169,040	(169,040)	-
	Acc Deprec.	WinterHaven Subdivision Acc Dep	4,868	(4,868)	-
	AIAC	WinterHaven Subdivision AIAC	169,040	(169,040)	-
	331.20	Villages at Stonebridge Plants	239,069.00	(239,069)	
	Acc Deprec.	Villages at Stonebridge Acc Dep	12,999.00	(12,999)	
	AIAC	Villages at Stonebridge AIAC	239,069.00	(239,069)	
	331.20	Mira Monte Subdivision Plant	110,867.00	(110,867)	
	Acc Deprec.	Mira Monte Subdivision Acc Dep	6,028.00	(6,028)	
	AIAC	Mira Monte Subdivision AIAC	110,867.00	(110,867)	
	331.20	Plant Adjustment	518,976.00	(518,976.00)	-
	Acc. Depreci	Acc. Depreciation Total Adj.	23,895.00	(23,895.00)	-
		AIAC Total Adj.	518,976.00	(518,976.00)	-

References:

Column [A]: Amounts included in plant balances per filing.
Column (B): Per Testimony GWB
Column (C): Column [A] less Column [B]

RATE BASE ADJUSTMENT #2 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 899,973	\$ -	899,973	12.00	\$ 10,799,671
2	Purchased Water	\$ 44,384	-	44,384	86.87	\$ 3,855,638
3	Fuel & Power	\$ 501,877	-	501,877	32.42	\$ 16,270,852
4	Chemicals	\$ 7,846		7,846	28.47	\$ 223,384
5	Waste Disposal	\$ (295)		(295)	30.00	\$ (8,850)
6	Management Fees	\$ 940,899		940,899	(3.88)	\$ (3,650,688)
7	Group Insurance	\$ 209,312		209,312	(4.64)	\$ (971,209)
8	Pensions	\$ 127,879		127,879	45.00	\$ 5,754,561
9	Regulatory Expense	\$ 119,303		119,303	30.00	\$ 3,579,090
10	Insurance Other Than Group	\$ 51,991		51,991	45.00	\$ 2,339,595
11	Customer Accounting	\$ 132,002		132,002	7.46	\$ 984,735
12	Rents	\$ 15,559		15,559	(10.68)	\$ (166,170)
13	General Office Expense	\$ 103,944		103,944	30.00	\$ 3,118,320
14	Miscellaneous	\$ 354,017		354,017	30.00	\$ 10,620,516
15	Maintenance Expense	\$ 583,888	(488,307)	95,581	30.00	\$ 2,867,430
16	Taxes Other Than Income-Property Taxes	\$ 221,795		224,370	212.50	\$ 47,678,677
17	Taxes Other Than Income-Other	\$ 75,809		75,809	15.65	\$ 1,186,412
18	Income Taxes	\$ (196,927)		232,438	42.04	\$ 9,771,690
19	Interest		284,217	284,217	106.52	\$ 30,274,820.93
20	Total Operating Expenses	4,193,256	(204,090)	4,421,107	765	144,528,475
21						144,528,475
22						
23	Expense Lag	Line 21, Col. (E) / Col [C]	32.69			
24	Revenue Lag	Company Workpapers	48,239			
25	Net Lag	Line 24 - 23	15.55			
26	Staff Adjusted Expenses	Line 20, Col C	4,421,107			
27	Cash Working Capital	Line 25 * Line 26/365 day	188,335			
28	Company As Filed	Co Schedule B-5	367,562			
29	Staff Adjustment	To GWB-4	(179,227)			
30						
31	References:					
32	Column [A]:	Company Schedule C-1				
33	Column [B]:	Staff adjustments to expenses, See Testimony GWB				
34	Column [C]:	Column [A] + Column [B]				
35	Column [D]:	Expense Lags Used on Docket WS-01303A-06-0403, approved in Decision No. 70372				
36	Column [E]:	Column [C] * Column [D]				

ARIZONA-AMERICAN WATER COMPANY - MOHAVE WATER
Docket No. WS-01303A-08-0227
Test Year Ended December 31, 2007

Schedule GWB- 7
SURREBUTTAL

RATE BASE ADJUSTMENT #3 - IMPUTED REGULATORY AIAC

LINE NO.	DESCRIPTION	[A] YEAR OF ADVANCE	[B] ADVANCE AMOUNT	[C] CIAC AMORTIZED	(D) CIAC REMAING BALANCE
1	Beginning Balance Per Decision No. 67093	2001	\$ 4,208,406		\$4,208,406
2	None	2002	-	622,613	3,585,793
3	None	2003	-	647,447	2,938,345
4	None	2004	-	647,447	2,290,898
5		2005		647,447	1,643,451
6		2006		647,447	996,004
7	None	2007	-	647,447	348,557
8	Per Staff		<u>\$ 4,208,406</u>	<u>\$ 3,859,849</u>	\$ 348,557
9	Company Proposed Imputed Reg. AIAC				-
10	Staff Adjustment			\$ -	<u>\$ 348,557</u>

REFERENCES:

Columns [A]: Fiscal Years

Column [B]: Beginning Balance per Decision No. 67093

Column [C]: Annual Amortization of Col [B] using 6.5 year recovery period per Decision No. 67093

Column [D]: CIAC per Decision No. 67093, less amortization.

ARIZONA-AMERICAN WATER COMPANY - MOHAVE WATER
Docket No. WS-01303A-08-0227
Test Year Ended December 31, 2007

Schedule GWB - 8
SURREBUTTAL

RATE BASE ADJUSTMENT #4 - DEFERRED DEBITS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	At December 31, 2007	1,749,805	(1,649,972)	99,833
2		<u>\$ 1,749,805</u>	<u>\$ (1,649,972)</u>	<u>\$ 3,399,777</u>

REFERENCES:

Columns [A]: Company schedules

Column [B]: Column [C] less Column [A]

Column [C]: See testimony GWB

ARIZONA-AMERICAN WATER COMPANY - MOHAVE WATER
Docket No. WS-01303A-08-0227
Test Year Ended December 31, 2007

Schedule GWB- 9
SURREBUTTAL

RATE BASE ADJUSTMENT #5 - POST TEST YEAR PLANT

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
330000	Distribution Reservoirs	490,772	\$ (490,772)	\$ -
331300	TD Mains 10"-16"	60,084	\$ (60,084)	\$ -
331001	TD Mains 18in and Grtr.	59,875	\$ (59,875)	\$ -
		610,731	(610,731)	-

References:

Column [A]: Amounts included in plant balances per filing.
Column (B): Per Testimony GWB
Column (C): Column [A] less Column [B]

ARIZONA-AMERICAN WATER COMPANY - MOHAVE WATER
Docket No. WS-01303A-08-0227
Test Year Ended December 31, 2007

Schedule GWB- 9A
SURREBUTTAL

RATE BASE ADJUSTMENT #6 - CIAC/AIAC ON CWIP

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
CIAC		107,545	\$ 94,452	\$ 201,997
AIAC		5,947,009	\$ 291,909	\$ 6,238,918

References:

Column [A]: Amounts included Per filing.
Column (B): Per Testimony GWB
Column (C): Column [A] plus Column [B]

RATE BASE ADJUSTMENT #7 - TRANSFER OF PLANT, ACCUMULATED DEPREC. AND CIAC FROM HAVASU

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
304100	Struct & Imp SS	\$ 389,266	\$ 63,517	\$ 452,783
307000	Wells & Springs	807,515	\$ 258,428	1,065,943
310100	Power Generation Equip Other	137,874	\$ 50,355	188,229
311200	Pump Equip Electric	2,264,799	\$ 57,926	2,322,725
330000	Dist Reservoirs & Standpipe	1,584,129	\$ 99,695	1,683,824
331200	TD Mains 6in to 8in	2,367,285	\$ 108,829	2,476,114
339250	Other P/E SS	-	82,582	82,582
Grand Total		\$ 7,550,867	\$ 721,333	\$ 8,272,201
<u>For Associated Plant:</u>				
ACCUMULATED DEPRECIATION		13,084,198	\$ 45,790	\$13,129,988
AIAC		5,947,009	\$ 656,267	\$ 6,603,276

References:

Column [A]: Amounts included in plant balances per filing.

Column (B): Per Testimony GWB

Column (C): Column [A] plus Column [B]

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1						
2	Water Revenues	\$ 4,932,608	\$ -	\$ 4,932,608	\$ 231,490	\$ 5,164,098
3	Other Revenues	181,023	-	181,023	-	181,023
4	Other	-	-	-	-	-
5	Total Operating Revenues	\$ 5,113,631	\$ -	\$ 5,113,631	\$ 231,490	\$ 5,345,121
6						
7	Labor	\$ 899,973	\$ -	899,973	\$ -	\$ 899,973
8	Purchased Water	\$ 44,384	-	44,384	-	44,384
9	Fuel & Power	\$ 501,877	-	501,877	-	501,877
10	Chemicals	\$ 7,846	-	7,846	-	7,846
11	Waste Disposal	\$ (295)	-	(295)	-	(295)
12	Management Fees	\$ 940,899	-	940,899	-	940,899
13	Group Insurance	\$ 209,312	-	209,312	-	209,312
14	Pensions	\$ 127,879	-	127,879	-	127,879
15	Regulatory Expense	\$ 119,303	-	119,303	-	119,303
16	Insurance Other Than Group	\$ 51,991	-	51,991	-	51,991
17	Customer Accounting	\$ 132,002	-	132,002	-	132,002
18	Rents	\$ 15,559	-	15,559	-	15,559
19	General Office Expense	\$ 103,944	-	103,944	-	103,944
20	Miscellaneous	\$ 354,017	-	354,017	-	354,017
21	Maintenance Expense	\$ 583,888	(488,307)	95,581	-	95,581
22	Depreciation & Amortization	\$ 883,235	(328,969)	554,265	-	554,265
23	General Taxes-Property Taxes	\$ 221,795	(756)	221,039	3,331	224,370
24	General Taxes-Other	\$ 75,809	-	75,809	-	75,809
25	Income Taxes	\$ (196,927)	341,298	144,371	88,067	232,438
26						
27						
28	Total Operating Expenses	5,076,491	(476,735)	4,599,756	91,398	4,691,155
29	Operating Income (Loss)	\$ 37,140	\$ 476,735	\$ 513,875	\$ 140,092	\$ 653,967

References:

Column (A): Company Schedule C-1
Column (B): Schedule GWB 11
Column (C): Column (A) + Column (B)
Column (D): Schedules GWB 2, Lines 29 and 37
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Tank Maint. ADJ #1	[C] Depreciation Exp. ADJ #2	[D] Property Taxes ADJ #3	[E] Income Taxes ADJ #4	[G] STAFF ADJUSTED
1							
2	Water Revenues	\$ 4,932,608	\$ -	\$ -	\$ -	\$ -	\$ 4,932,608
3	Other Revenues	181,023	-	-	-	-	181,023
4	Other	-	-	-	-	-	-
5	Total Operating Revenues	\$ 5,113,631	\$ -	\$ -	\$ -	\$ -	\$ 5,113,631
6							
7	Labor	\$ 899,973	\$ -	\$ -	\$ -	\$ -	899,973
8	Purchased Water	44,384	-	-	-	-	44,384
9	Fuel & Power	501,877	-	-	-	-	501,877
10	Chemicals	7,846	-	-	-	-	7,846
11	Waste Disposal	(295)	-	-	-	-	(295)
12	Management Fees	940,899	-	-	-	-	940,899
13	Group Insurance	209,312	-	-	-	-	209,312
14	Pensions	127,879	-	-	-	-	127,879
15	Regulatory Expense	119,303	-	-	-	-	119,303
16	Insurance Other Than Group	51,991	-	-	-	-	51,991
17	Customer Accounting	132,002	-	-	-	-	132,002
18	Rents	15,559	-	-	-	-	15,559
19	General Office Expense	103,944	-	-	-	-	103,944
20	Miscellaneous	354,017	-	-	-	-	354,017
21	Maintenance Expense	583,888	(488,307)	-	-	-	95,581
22	Depreciation & Amortization	883,235	-	(328,969)	-	-	554,265
23	General Taxes-Property Taxes	221,795	-	-	(756)	-	221,039
24	General Taxes-Other	75,809	-	-	-	-	75,809
25	Income Taxes	(196,927)	-	-	-	341,298	144,371
26							-
27	Total Operating Expenses	\$ 5,076,491	\$ (488,307)	\$ (328,969)	\$ (756)	\$ 341,298	\$ 4,599,756
28	Operating Income (Loss)	\$ 37,140	\$ 488,307	\$ 328,969	\$ 756	\$ (341,298)	\$ 513,875

ADJ #	References:
1	Tank Maintenance Accrual GTM 12
2	Depreciation Expense GTM 13
3	Property Taxes GTM 14
4	Income Taxes GTM 15

OPERATING INCOME ADJUSTMENT #1 - TANK MAINTENANCE ACCRUAL

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Maintenance Expense	\$ 583,888	\$ (488,307)	\$ 95,581

Repair and Maintenance Expenses

Calendar year 2005	100,287
Calendar year 2006	91,056
Calendar year 2007	95,400
Total for three year period	286,743
Normalization Period	3
Normalized Amount	95,581

References:

Column (A), Company Schedule C-1
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

OPERATING ADJUSTMENT #2- DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	DESCRIPTION	[A] PLANT BALANCE	[B] DEPRECIATION RATE	[C] DEPRECIATION EXPENSE
1		<u>PLANT IN SERVICE:</u>			
2	301000	Organization	34,004	0.00%	-
3	302000	Franchises	37,061	0.00%	-
4	303200	Land & Land Rights SS	290,792	0.00%	-
5	303300	Land & Land Rights P	2,351	0.00%	-
6	303500	Land & Land Rights TD	9,609	0.00%	-
7	303600	Land & Land Rights AG	31,052	0.00%	-
8	304100	Struct & Imp SS	452,783	2.83%	12,814
9	304200	Struct & Imp P	1,687	2.39%	40
10	304300	Struct & Imp WT	47,846	2.50%	1,196
11	304400	Struct & Imp TD	4,583	1.81%	83
12	304510	Struct & Imp AG Cap Lease	-	4.63%	-
13	304600	Struct & Imp Offices	457,148	2.03%	9,280
14	304700	Struct & Imp Store, Shop, Garage	29,223	4.63%	1,353
15	305000	Collect & Impounding	663,944	2.54%	16,864
16	307000	Wells & Springs	1,065,943	2.70%	28,780
17	310100	Power Generation Equip Other	188,229	5.00%	9,411
18	311200	Pump Equip Electric	2,322,725	5.12%	118,923
19	311300	Pump Equip Diesel	-	5.00%	-
20	311500	Pump Equip Other	1,009	5.00%	50
21	320100	WT Equip Non-Media	50,870	7.06%	3,591
22	330000	Dist Reservoirs & Standpipe	1,193,052	1.81%	21,594
23	331001	TD Mains Not Classified by Size	(10,405)	1.53%	(159)
24	331100	TD Mains 4in & Less	11,718,645	1.53%	179,295
25	331200	TD Mains 6in to 8in	1,957,138	1.53%	29,944
26	331300	TD Mains 10in to 16in	156,667	1.53%	2,397
27	333000	Services	3,447,830	2.89%	99,642
28	334100	Meters	1,770,642	6.53%	115,623
29	334200	Meter Installations	236,697	6.53%	15,456
30	335000	Hydrants	36,473	1.99%	726
31	339250	Other P/E SS	82,582	-	-
32	339500	Other P/E TD	-	-	-
33	340100	Office Furniture & Equip	137,645	4.04%	5,561
34	340200	Comp & Periph Equip	66,842	10.00%	6,684
35	340300	Computer Software	833	25.00%	208
36	341100	Trans Equip Lt Duty Trks	343,147	20.00%	68,629
37	341200	Trans Equip Hvy Duty Trks	-	15.00%	-
38	342000	Stores Equipment	2,400	3.93%	94
39	343000	Tools, Shop, Garage Equip	134,138	4.49%	6,023
40	344000	Laboratory Equipment	7,623	10.00%	762
41	345000	Power Operated Equipment	172,529	4.64%	8,005
42	346100	Comm Equip Non-Telephone	180,533	3.66%	6,608
43	346200	Comm Equip Telephone	49,678	9.76%	4,849
44	346300	Comm Equip Other	5,110	6.19%	316
45					
46		<u>CORPORATE PLANT ALLOCATION</u>			
47	304620	Struct & Imp Leasehold	23,411	14.28%	3,343
48	331001	Mains	-	1.53%	-
49	340100	Office Furniture & Equip	115,919	4.04%	4,683
50	340200	Comp & Periph Equip	47,147	10.00%	4,715
51	340300	Computer Software	185,522	25.00%	46,381
52	340300	Computer Software-Other	4,819	25.00%	1,205
53	343000	Tools, Shop, Garage Equip	3,963	4.49%	178
54	346100	Comm Equip Non-Telephone	19,175	3.66%	702
55	346300	Comm Equip Other	505	6.19%	31
56					
57		<u>POST TEST YEAR PLANT</u>			
58	330000	Dist Reservoirs & Standpipe	490,772	1.81%	8,883
59	331300	TD Mains 10in to 16in	60,084	1.53%	919
60	331400	TD Mains Greater than 18"	59,875	2.00%	1,198
61					
62		Total Plant In Service	28,391,851	2.98%	846,884
63					
64		Less Non Depreciable Plant			
65		Organization	34,004	0.00%	-
66		Franchises	37,061	0.00%	-
67		Land & Land Rights SS	290,792	0.00%	-
68		Land & Land Rights P	2,351	0.00%	-
69		Land & Land Rights TD	9,609	0.00%	-
70		Land & Land Rights AG	31,052	0.00%	-
71					
72		Net Depreciable Plant and Depreciation Amounts	\$ 27,986,982		\$ 846,884
73		Composite Depreciation Rate		3.03%	
74		Less			
75		Amortization of Regulatory CIAC at Settlement Rate			286,506
76		Amortization of CIAC at Composite Rate	\$ 202,001		\$ 6,113
77		Staff Recommended Depreciation Expense			\$ 554,265
78		Company Proposed Depreciation Expense			883,235
79		Staff Adjustment			\$ (328,969)

	<u>References:</u>
Col A	Schedule GWB-4
Col B	Proposed Rates per Staff Engineering Report for Non Allocated Plant
Col C	Col [A] times Col [B]

OPERATING ADJUSTMENT #3 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 5,113,631	\$ 5,113,631
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	10,227,262	10,227,262
4	Staff Recommended Revenue	5,113,631	5,345,121
5	Subtotal (Line 4 + Line 5)	15,340,893	15,572,383
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	5,113,631	5,190,794
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	10,227,262	10,381,589
10	Plus: 10% of CWIP - 2005	13,454	13,454
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	10,240,716	10,395,043
13	Assessment Ratio	0.23	0.230
14	Assessment Value (Line 12 * Line 13)	2,355,365	2,390,860
15	Composite Property Tax Rate - Obtained from ADOR	9.38%	9.38%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 221,039	
17	Company Proposed Property Tax	\$ 221,795	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ (756)	
19	Property Tax on Staff Recommended Revenue (Line 14 * Line 15)		\$ 224,370
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 221,039
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 3,331
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 3,331
23	Increase in Revenue Requirement		\$ 231,490
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.43896%

REFERENCES:

0

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue

Line 17: Company Schedule C-1, Line 24

Line 21: Line 19 - Line 20

Line 23: Schedule GWB-1, Line 8

ARIZONA-AMERICAN WATER COMPANY - MOHAVE WATER
Docket No. WS-01303A-08-0227
Test Year Ended December 31, 2007

Surrebuttal Schedule GTM-15

OPERATING INCOME ADJUSTMENT #4 - INCOME TAXES

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Taxes	<u>\$ (196,927)</u>	<u>\$ 341,298</u>	<u>\$ 144,371</u>

References:

Column (A), Company Schedule C-2

Column (B): Testimony GTM

Column (C): Column (A) + Column (B)

ARIZONA-AMERICAN WATER COMPANY - MOHAVE WASTEWATER

Docket No. WS-01303A-08-0227

Test Year Ended December 31, 2007

SURREBUTTAL TESTIMONY OF GERALD BECKER

TABLE OF CONTENTS TO SCHEDULES :

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GWB- 4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
GWB- 5	RATE BASE ADJUSTMENT #1- PLANT, ACCUMULATED DEPRECIATION & AIAC
GWB- 6	RATE BASE ADJUSTMENT #2 - WORKING CAPITAL
GWB- 7	RATE BASE ADJUSTMENT #3 - IMPUTED REGULATORY AIAC
GWB- 8	RATE BASE ADJUSTMENT #4 - DEFERRED DEBITS
GWB- 9	RATE BASE ADJUSTMENT #5 - POST TEST YEAR PLANT
GWB- 9A	RATE BASE ADJUSTMENT #6 - CIAC IN CWIP
GWB- 10	OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED
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ARIZONA-AMERICAN WATER COMPANY - MOHAVE WASTEWATER
Docket No. WS-01303A-08-0227
Test Year Ended December 31, 2007

Schedule GWB-1
SURREBUTTAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 4,740,149	\$ 4,740,149	\$ 647,244	\$ 647,244
2	Adjusted Operating Income (Loss)	\$ 15,619	\$ 15,619	\$ 115,161	\$ 115,161
3	Current Rate of Return (L2 / L1)	0.33%	0.33%	17.79%	17.79%
4	Required Rate of Return	8.40%	8.40%	7.34%	7.34%
5	Required Operating Income (L4 * L1)	\$ 398,173	\$ 398,173	\$ 47,508	\$ 47,508
6	Operating Income Deficiency (L5 - L2)	\$ 382,553	\$ 382,553	\$ (67,653)	\$ (67,653)
7	Gross Revenue Conversion Factor	1.6786	1.6786	1.0921	1.0921
8	Required Revenue Increase (L7 * L6)	\$ 642,143	\$ 642,143	\$ (73,887)	\$ (73,887)
9	Adjusted Test Year Revenue	\$ 796,161	\$ 796,161	\$ 796,161	\$ 796,161
10	Proposed Annual Revenue (L8 + L9)	\$ 1,438,304	\$ 1,438,304	\$ 722,274	\$ 722,274
11	Required Increase in Revenue (%)	80.65%	80.65%	-9.28%	-9.28%
12	Rate of Return on Common Equity (%)	11.75%	11.75%	10.00%	10.00%

References:

Column [A]: Company Schedule A-1

Column (B): Company Schedule A-1

Column (C): Staff Schedules GWB-2, GWB-3, and GWB-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	8.4369%					
5	Subtotal (L3 - L4)	91.5631%					
6	Revenue Conversion Factor (L1 / L5)	1.092143					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	6.9680%					
9	One Minus Combined Income Tax Rate (L7 - L8)	93.0320%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (Line 44)	0.0000%					
16	Effective Federal Income Tax Rate (L14 x L15)	0.0000%					
17	Combined Federal and State Income Tax Rate (L13 + L16)		6.9680%				
<u>Calculation of Effective Property Tax Factor</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	6.9680%					
20	One Minus Combined Income Tax Rate (L18-L19)	93.0320%					
21	Property Tax Factor (GTM-14, L24)	1.5790%					
22	Effective Property Tax Factor (L20*L21)		1.4689%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			8.4369%			
24	Required Operating Income (Schedule GWB-1, Line 5)	\$ 47,508					
25	Adjusted Test Year Operating Income (Loss) (Schedule GWB-10, Line 29)	\$ 115,161					
26	Required Increase in Operating Income (L24 - L25)		\$ (67,653)				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 37,449					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ 42,516					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ (5,067)				
30	Recommended Revenue Requirement (Schedule GWB-1, Line 10)	\$ 722,274					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue (GTM-15, 20)	\$ 36,865					
36	Property Tax on Test Year Revenue (GTM-15, Col A, L16)	\$ 38,032					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ (1,167)				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ (73,887)				

(A)	(B)	(C)	(D)	(E)	(F)
Test Year			Staff Recommended		
Mohave WW	Mohave WW	Mohave WW	Mohave WW	Mohave WW	Mohave WW
		\$ 796,161		\$ 722,274	
		\$ 638,484		\$ 637,318	
		\$ 20,647		\$ 20,647	
		\$ 137,030		\$ 64,309	
		\$ 6,9680%		\$ 6,9680%	
		\$ 9,548		\$ 4,481	
		\$ 127,481		\$ 59,828	
		\$ 7,500		\$ 7,500	
		\$ 6,250		\$ 6,250	
		\$ 8,500		\$ 8,500	
		\$ 10,718		\$ 10,718	
		\$ -		\$ -	
		\$ 32,968		\$ 32,968	
		\$ 42,516		\$ 37,449	

53 Effective Tax Rate

0.0000%

Calculation of Interest Synchronization:

54 Rate Base (Schedule GWB-3, Col. (C), Line 18)
55 Weighted Average Cost of Debt
56 Synchronized Interest (L45 X L46)

Mohave WW
\$ 647,244
3.1900%
\$ 20,647

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 7,154,300	\$ 2,915,858
2	Less: Accumulated Depreciation	367,213	357,629
3	Net Plant in Service	<u>\$ 6,787,087</u>	<u>\$ 2,558,229</u>
<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 726,484	\$ 791,879
5	Less: Accumulated Amortization	57,539	57,539
6	Net CIAC	<u>668,945</u>	<u>734,340</u>
7	Advances in Aid of Construction (AIAC)	1,414,706	1,108,344
8	Imputed Reg AIAC	-	61,769
9	Imputed Reg CIAC	131,237	131,237
10	Deferred Income Tax Credits (Debits) Customer Meter Deposits	(105,590)	(105,590)
<u>ADD:</u>			
11	Cash Working Capital	58,358	7,412
12	Prepayments	3,661	3,661
13	Supplies Inventory	341	341
14	Projected Capital Expenditures	-	-
15	Deferred Debits	-	7,701
16	Purchase Wastewater Treatment Charges	-	-
17	Original Cost Rate Base	<u>\$ 4,740,149</u>	<u>\$ 647,244</u>

References:

Column (A), Company Schedule B-2
Column (B): Schedule GWB-4
Column (C): Column (A) + Column (B)

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] STAFF ADJUSTED
PLANT IN SERVICE:												
1	301000	Organization	-						\$ -	\$ -	\$ -	\$ -
2	352000	WW Franchises	364									\$ 364
3	354200	WW Struct & Imp Coll	201,579									\$ 201,579
4	360000	WW Collection Sewers Forced	5,382									\$ 5,382
5	361100	WW Collecting Mains	1,615,707	(306,362)								\$ 1,309,345
	362000	WW Special Coll Struct	74,760									\$ 74,760
	363000	WW Services Sewer	314,343									\$ 314,343
6	364000	WW Flow Measuring Devices	23,113									\$ 23,113
7	371100	WW Pump Equip Elect	18,935									\$ 18,935
8	380100	WW Equip Sed Tanks/Acc	803,788									\$ 803,788
9	380300	WW TD Equip Sludge Dry/Filt	8,807									\$ 8,807
10	380500	WW TD Equip Chem Trmt Plt	14,311									\$ 14,311
11	380600	WW TD Equip Oth Disp	39,019									\$ 39,019
12	393000	WW Tool Shop & Garage Equip	44,237									\$ 44,237
	394000	WW Laboratory Equipment	567									\$ 567
13	396000	Communication Equipment	26,205									\$ 26,205
14	398000	Other Plant	-									\$ -
15												\$ -
16												\$ -
17												\$ -
18												\$ -
19												\$ -
20												\$ -
21												\$ -
22												\$ -
23												\$ -
24												\$ -
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43												\$ -
44												\$ -
45												\$ -
46												\$ -
47												\$ -
48												\$ -
49												\$ -
50												\$ -
51												\$ -
52												\$ -
53												

ADJ #		References:
1	Plant, Accumulated Depreciation and AIAC	Schedule GWB-5
2	Working Capital	Schedule GWB-6
3	Imputed Reg AIAC	Schedule GWB-7
4	Deferred Debits	Schedule GWB-8
5	Post Test Year Plant	Schedule GWB-9
6	CIAC/AIAC in CWIP	Schedule GWB-9A

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Schedule GWB-5
SURREBUTTAL

RATE BASE ADJUSTMENT #1 - PLANT, ACCUMULATED DEPRECIATION, AND AIAC

LINE NO.	ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	361.20	Mesa Vista Subdivision Plant	170,432	(170,432)	-
	Acc Deprec.	Mesa Vista Subdivision Acc Depr.	7,995	(7,995)	-
	AIAC	Mesa Vista Subdivision AIAC	170,432	(170,432)	-
	361.20	Sage Hill Subdivision Plant	135,930.00	(135,930)	
	Acc Deprec.	Sage Hill Subdivision Acc Dep	1,589.00	(1,589)	
	AIAC	Sage Hill Subdivision AIAC	135,930.00	(135,930)	
	361.20	Plant Adjustment	306,362.00	(306,362.00)	-
	Acc. Depreci	Acc. Depreciation Total Adj.	9,584.00	(9,584.00)	-
		AIAC Total Adj.	306,362.00	(306,362.00)	-

References:

Column [A]: Amounts included in plant balances per filing.

Column (B): Per Testimony GWB

Column (C): Column [A] less Column [B]

RATE BASE ADJUSTMENT #2 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 108,996	\$ -	108,996	12.00	\$ 1,307,949
2	Fuel & Power	\$ 73,650	-	73,650	86.87	\$ 6,397,956
3	Chemicals	\$ 9,214	-	9,214	32.42	\$ 298,717
4	Waste Disposal	\$ 126,228		126,228	28.47	\$ 3,593,711
5	Management Fees	\$ 123,665		123,665	30.00	\$ 3,709,950
6	Group Insurance	\$ 24,046		24,046	(3.88)	\$ (93,298)
7	Pensions	\$ 18,447		18,447	(4.64)	\$ (85,595)
8	Regulatory Expense	\$ 22,140		22,140	45.00	\$ 996,316
9	Insurance Other Than Group	\$ 7,294		7,294	30.00	\$ 218,820
10	Customer Accounting	\$ 16,497		16,497	45.00	\$ 742,343
11	Rents	\$ 1,613		1,613	7.46	\$ 12,033
12	General Office Expense	\$ 7,874		7,874	(10.68)	\$ (84,094)
13	Miscellaneous	\$ 16,726		16,726	30.00	\$ 501,786
14	Maintenance Expense	\$ 4,948		4,948	30.00	\$ 148,440
15	General Taxes-Property Taxes	\$ 37,922		36,865	212.50	\$ 7,833,812
16	General Taxes-Other	\$ 9,778		9,778	15.65	\$ 153,028
17	Income Taxes	\$ (76,894)	114,343	37,449	42.04	\$ 1,574,350
18	Interest		20,647	20,647	106.52	\$ 2,199,328
19	Total Operating Expenses	532,144	134,990	666,077	734.73	29,425,551
20						
21						
22	Expense Lag	Line 21, Col. (E) / Col [C]	44.18			
23	Revenue Lag	Company Workpapers	48.239			
24	Net Lag	Line 24 - 23	4.06			
25	Staff Adjusted Expenses	Line 20, Col 35	666,077			
26	Cash Working Capital	Line 25 * Line 26/365 day	7,412			
27	Company As Filed	Co Schedule B-5	58,358			
28	Staff Adjustment	To GWB-4	(50,946)			
29						
30	References:					
31	Column [A]: Company Schedule C-1					
32	Column [B]: Staff adjustments to expenses, See Testimony GWB					
33	Column [C]: Column [A] + Column [B]					
34	Column [D]: Expense Lags Used on Docket WS-01303A-06-0403, approved in Decision No. 70372					
35	Column [E]: Column [C] * Column [D]					

RATE BASE ADJUSTMENT #3 - IMPUTED REGULATORY AIAC

LINE NO.	DESCRIPTION	[A] YEAR OF ADVANCE	[B] ADVANCE AMOUNT	[C] CIAC AMORTIZED	(D) CIAC REMAING BALANCE
1	Beginning Balance Per Decision No. 67093	2001	\$ 745,789		\$ 745,789
2	None	2002	-	110,336	635,453
3	None	2003	-	114,737	520,716
4	None	2004	-	114,737	405,980
5	None	2005	-	114,737	291,243
6	None	2006	-	114,737	176,506
7	None	2007	-	114,737	61,769
8	Per Staff		<u>\$ 745,789</u>	<u>\$ 684,020</u>	<u>\$ 61,769</u>
9	Company Proposed Imputed Reg. AIAC				-
10	Staff Adjustment			\$ -	<u>\$ 61,769</u>

REFERENCES:

Columns [A]: Fiscal Years

Column [B]: Beginning Balance per Decision No. 67093

Column [C]: Annual Amortization of Col [B] using 6.5 year recovery period per Decision No. 67093

Column [D]: CIAC per Decision No. 67093, less amortization.

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SURREBUTTAL

RATE BASE ADJUSTMENT #4 - DEFERRED DEBITS

LINE NO.	DESCRIPTION		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	At December 31, 2007	2007	-	7,701	7,701
6			\$ -	\$ 7,701	\$ (7,701)

REFERENCES:

Columns [A]: Company schedules
Column [B]: Column [C] less Column [A]
Column [C]: See testimony GWB

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Schedule GWB - 9
SURREBUTTAL

RATE BASE ADJUSTMENT #5 - POST TEST YEAR PLANT

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
354500	Structures & Imp Gen'l	765,906	\$ (765,906)	\$ -
371100	Pump Equip Electric	813,581	\$ (813,581)	\$ -
380000	TD Equipmen t	2,352,593	\$ (2,352,593)	\$ -
		3,932,080	(3,932,080)	-

References:

Column [A]: Amounts included in plant balances per filing.
Column (B): Per Testimony GWB
Column (C): Column [A] less Column [B]

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SURREBUTTAL

RATE BASE ADJUSTMENT #6 - CIAC ON CWIP

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	CIAC	668,945	\$ 65,395	\$ 734,340

References:

Column [A]: Amounts included Per filing.
Column (B): Per Testimony GWB
Column (C): Column [A] plus Column [B]

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1						
2	Wastewater Revenues	\$ 791,279	\$ -	\$ 791,279	\$ (73,887)	\$ 717,392
3	Other Wastewater Revenues	4,882	-	4,882	-	4,882
4	Other	-	-	-	-	-
5	Total Operating Revenues	\$ 796,161	\$ -	\$ 796,161	\$ (73,887)	\$ 722,274
6						
7	Labor	\$ 108,996	\$ -	108,996	\$ -	\$ 108,996
8	Fuel & Power	73,650	-	73,650	-	73,650
9	Chemicals	9,214	-	9,214	-	9,214
10	Waste Disposal	126,228	-	126,228	-	126,228
11	Management Fees	123,665	-	123,665	-	123,665
12	Group Insurance	24,046	-	24,046	-	24,046
13	Pensions	18,447	-	18,447	-	18,447
14	Regulatory Expense	22,140	-	22,140	-	22,140
15	Insurance Other Than Group	7,294	-	7,294	-	7,294
16	Customer Accounting	16,497	-	16,497	-	16,497
17	Rents	1,613	-	1,613	-	1,613
18	General Office Expense	7,874	-	7,874	-	7,874
19	Miscellaneous	16,726	-	16,726	-	16,726
20	Maintenance Expense	4,948	-	4,948	-	4,948
21	Depreciation & Amortization	248,398	(219,061)	29,337	-	29,337
22	General Taxes-Property Taxes	37,922	109	38,032	(1,167)	36,865
23	General Taxes-Other	9,778	-	9,778	-	9,778
24	Income Taxes	(76,894)	119,410	42,516	(5,067)	37,449
25		0				
26		0				
27	Total Operating Expenses	780,542	(99,541)	681,000	(6,234)	674,766
28	Operating Income (Loss)	\$ 15,619	\$ 99,541	\$ 115,161	\$ (67,653)	\$ 47,508

References:

Column (A): Company Schedule C-1
Column (B): Schedule GTM 11
Column (C): Column (A) + Column (B)
Column (D): Schedules GWB 2, Lines 29 and 37
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Depreciation Exp. ADJ #1	[C] Property Taxes ADJ #2	[D] Income Taxes ADJ #3	[G] STAFF ADJUSTED
1						
2	Wastewater Revenues	\$ 791,279	\$ -	\$ -	\$ -	\$ 791,279
3	Other Wastewater Revenues	4,882	-	-	-	4,882
4	Other	-	-	-	-	-
5	Total Operating Revenues	\$ 796,161	\$ -	\$ -	\$ -	\$ 796,161
6						
7	Labor	\$ 108,996	\$ -	\$ -	\$ -	108,996
8	Fuel & Power	73,650	-	-	-	73,650
9	Chemicals	9,214	-	-	-	9,214
10	Waste Disposal	126,228	-	-	-	126,228
11	Management Fees	123,665	-	-	-	123,665
12	Group Insurance	24,046	-	-	-	24,046
13	Pensions	18,447	-	-	-	18,447
14	Regulatory Expense	22,140	-	-	-	22,140
15	Insurance Other Than Group	7,294	-	-	-	7,294
16	Customer Accounting	16,497	-	-	-	16,497
17	Rents	1,613	-	-	-	1,613
18	General Office Expense	7,874	-	-	-	7,874
19	Miscellaneous	16,726	-	-	-	16,726
20	Maintenance Expense	4,948	-	-	-	4,948
21	Depreciation & Amortization	248,398	(219,061)	-	-	29,337
22	General Taxes-Property Taxes	37,922	-	109	-	38,032
23	General Taxes-Other	9,778	-	-	-	9,778
24	Income Taxes	(76,894)	-	-	74,283	(2,611)
25						
26						
27						
28	Total Operating Expenses	\$ 780,542	\$ (219,061)	\$ 109	\$ 74,283	\$ 635,873
29	Operating Income (Loss)	\$ 15,619	\$ 219,061	\$ (109)	\$ (74,283)	\$ 160,288

ADJ #	References:
1	Depreciation Expense GTM 12
2	Property Taxes GTM 13
3	Income Taxes GTM 14

OPERATING ADJUSTMENT #1- DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	DESCRIPTION	[A] PLANT BALANCE	[B] DEPRECIATION RATE	[C] DEPRECIATION EXPENSE
1		<u>PLANT IN SERVICE:</u>			
2	301000	Organization	-	0.00%	-
3	352000	WW Franchises	364	0.00%	-
4	354200	WW Struct & Imp Coll	201,579	2.80%	5,644
5	360000	WW Collection Sewers Forced	5,382	2.00%	108
6	361100	WW Collecting Mains	1,309,345	2.00%	26,187
7	362000	WW Special Coll Struct	74,760	2.00%	1,495
8	363000	WW Services Sewer	314,343	2.04%	6,413
9	364000	WW Flow Measuring Devices	23,113	10.00%	2,311
10	371100	WW Pump Equip Elect	18,935	5.42%	1,026
11	380100	WW Equip Sed Tanks/Acc	803,788	3.60%	28,936
12	380300	WW TD Equip Sldge Dry/Filt	8,807	5.00%	440
13	380500	WW TD Equip Chem Trmt Pit	14,311	5.00%	716
14	380600	WW TD Equip Oth Disp	39,019	5.00%	1,951
15	393000	WW Tool Shop & Garage Equip	44,237	4.47%	1,977
16	394000	WW Laboratory Equipment	587	3.71%	22
17	396000	Communication Equipment	26,205	10.30%	2,699
18	398000	Other Plant	-		-
19					
20		<u>CORPORATE ALLOCATION</u>			
21	304620	Struct & Imp Leasehold	1,817	14.28%	259
22	331001	Mains	-	1.53%	-
23	340100	Office Furniture & Equip	8,997	4.04%	363
24	340200	Comp & Periph Equip	3,659	10.00%	366
25	340300	Computer Software	14,399	25.00%	3,600
26	340300	Computer Software-Other	374	25.00%	94
27	343000	Tools,Shop,Garage Equip	308	4.47%	14
28	346100	Comm Equip Non-Telephone	1,488	3.66%	54
29	346300	Comm Equip Other	39	6.19%	2
30					
31		<u>POST TEST YEAR PLANT</u>			
32	354500	WW Struct & Impr Gen	-	2.00%	-
33	371100	WW Pump Equip Elect	-	5.42%	-
34	380000	WW TD Equipment	-	1.53%	-
35					-
36					-
37					-
38					-
39					-
40					-
41					-
42					-
43					-
44					-
45					-
46					-
47					-
48					-
49					-
50					-
51					-
52					-
53					-
54			-		-
55		Total Plant in Service	2,915,859	2.90%	84,679
56					
57					
58		Less Non Depreciable Plant			
59	352000	WW Franchises	364	0.00%	-
60	304620	Struct & Imp Leasehold	1817	14.28%	259.47
61					
62					363.48
63		Net Depreciable Plant and Depreciation Amounts	\$ 2,913,678		\$ 84,056
64		Composite Depreciation Rate		2.88%	
65		Less			
66		Amortization of Regulatory CIAC at Settlement Rate			32,497
67		Amortization of CIAC at Composite Rate	\$ 791,879		\$ 22,845
68		Staff Recommended Depreciation Expense			\$ 29,337
69		Company Proposed Depreciation Expense			248,398
70		Staff Adjustment			\$ (219,061)

References:	
Col A	Schedule GWB-4
Col B	Proposed Rates per Staff Engineering Report for Non Allocated Plant
Col C	Col [A] times Col [B]

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Surrebuttal Schedule GTM-13

OPERATING ADJUSTMENT #2 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A]		[B]	
		STAFF AS ADJUSTED		STAFF RECOMMENDED	
1	Staff Adjusted Test Year Revenues - 2007	\$	796,161	\$	796,161
2	Weight Factor		2		2
3	Subtotal (Line 1 * Line 2)		1,592,322		1,592,322
4	Staff Recommended Revenue		796,161		722,274
5	Subtotal (Line 4 + Line 5)		2,388,483		2,314,596
6	Number of Years		3		3
7	Three Year Average (Line 5 / Line 6)		796,161		771,532
8	Department of Revenue Multiplier		2		2
9	Revenue Base Value (Line 7 * Line 8)		1,592,322		1,543,064
10	Plus: 10% of CWIP - 2005		13,454		13,454
11	Less: Net Book Value of Licensed Vehicles		-		-
12	Full Cash Value (Line 9 + Line 10 - Line 11)		1,605,776		1,556,518
13	Assessment Ratio		0.23		0.230
14	Assessment Value (Line 12 * Line 13)		369,328		357,999
15	Composite Property Tax Rate - Obtained from ADOR		10.30%		10.30%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$	38,032		
17	Company Proposed Property Tax	\$	37,922		
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$	109		
19	Property Tax on Staff Recommended Revenue (Line 14 * Line 15)			\$	36,865
20	Staff Test Year Adjusted Property Tax Expense (Line 16)			\$	38,032
21	Increase in Property Tax Due to Increase in Revenue Requirement			\$	(1,167)
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)			\$	(1,167)
23	Increase in Revenue Requirement			\$	(73,887)
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)				1.57895%

REFERENCES:

0
Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1, Line 24
Line 21: Line 19 - Line 20
Line 23: Schedule GWB-1, Line 8

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Surrebuttal Schedule GTM-14

OPERATING INCOME ADJUSTMENT #3 - INCOME TAXES

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Taxes	<u>\$ 126,228</u>	<u>\$ (83,712)</u>	<u>\$ 42,516</u>

References:

Column (A), Company Schedule C-2

Column (B): Testimony GTM

Column (C): Column (A) + Column (B)

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SURREBUTTAL TESTIMONY OF GERALD BECKER

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GWB- 2	GROSS REVENUE CONVERSION FACTOR
GWB- 3	RATE BASE - ORIGINAL COST
GWB- 4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
GWB- 5	RATE BASE ADJUSTMENT #1- PLANT, ACCUMULATED DEPRECIATION & AIAC
GWB- 6	RATE BASE ADJUSTMENT #2 - WORKING CAPITAL
GWB- 7	RATE BASE ADJUSTMENT #3 - IMPUTED REGULATORY AIAC
GWB- 8	RATE BASE ADJUSTMENT #4 - DEFERRED DEBITS
GWB- 9	RATE BASE ADJUSTMENT #5 - CIAC IN CWIP
GWB- 10	OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED
GTM- 11	SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR
GTM- 12	OPERATING INCOME ADJUSTMENT #1 - TANK MAINTENANCE ACCRUAL
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GTM- 14	OPERATING INCOME ADJUSTMENT #3 - PROPERTY TAX EXPENSE
GTM- 15	OPERATING INCOME ADJUSTMENT #4 - INCOME TAX EXPENSE

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Schedule GWB-1
SURREBUTTAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 37,901,086	\$ 37,901,086	\$ 37,239,151	\$ 37,239,151
2	Adjusted Operating Income (Loss)	\$ 587,425	\$ 587,425	\$ 635,956	\$ 635,956
3	Current Rate of Return (L2 / L1)	1.55%	1.55%	1.71%	1.71%
4	Required Rate of Return	8.40%	8.40%	7.34%	7.34%
5	Required Operating Income (L4 * L1)	\$ 3,183,691	\$ 3,183,691	\$ 2,733,354	\$ 2,733,354
6	Operating Income Deficiency (L5 - L2)	\$ 2,596,266	\$ 2,596,266	\$ 2,097,397	\$ 2,097,397
7	Gross Revenue Conversion Factor	1.6471	1.6471	1.6460	1.6460
8	Required Revenue Increase (L7 * L6)	\$ 4,276,301	\$ 4,276,301	\$ 3,452,273	\$ 3,452,273
9	Adjusted Test Year Revenue	\$ 5,701,431	\$ 5,701,431	\$ 5,701,431	\$ 5,701,431
10	Proposed Annual Revenue (L8 + L9)	\$ 9,977,732	\$ 9,977,732	\$ 9,153,704	\$ 9,153,704
11	Required Increase in Revenue (%)	75.00%	75.00%	60.55%	60.55%
12	Rate of Return on Common Equity (%)	11.75%	11.75%	10.00%	10.00%

References:

Column [A]: Company Schedule A-1

Column (B): Company Schedule A-1

Column (C): Staff Schedules GWB-2, GWB-3, and GWB-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.2459%					
5	Subtotal (L3 - L4)	60.7541%					
6	Revenue Conversion Factor (L1 / L5)	1.645980					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	38.5989%					
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (Line 44)	34.0000%					
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%					
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.5989%				
<u>Calculation of Effective Property Tax Factor:</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	38.5989%					
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%					
21	Property Tax Factor (GTM-14, L24)	1.0538%					
22	Effective Property Tax Factor (L20*L21)		0.6470%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.2459%			
24	Required Operating Income (Schedule GWB-1, Line 5)	\$ 2,733,354					
25	Adjusted Test Year Operating Income (Loss) (Schedule GWB-10, Line 29)	\$ 635,956					
26	Required Increase in Operating Income (L24 - L25)		\$ 2,097,397				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 971,508					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ (346,989)					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 1,318,497				
30	Recommended Revenue Requirement (Schedule GWB-1, Line 10)	\$ 9,153,704					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue (GTM-15, 20)	\$ 216,832					
36	Property Tax on Test Year Revenue (GTM-15, Col A, L16)	\$ 180,453					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 36,379				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 3,452,274				
<u>Calculation of Income Tax:</u>							
39	Revenue (Sch GWB-1, Col. (C) L9 & 10)			\$ 5,701,431			
40	Operating Expenses Excluding Income Taxes			\$ 5,412,464			
41	Synchronized Interest (L56)			\$ 1,187,929			
42	Arizona Taxable Income (L39 - L40 - L41)	\$ -	\$ -	\$ (888,962)	\$ 2,516,934	\$ -	\$ -
43	Arizona State Income Tax Rate			6.9680%	6.9680%		
44	Arizona Income Tax (L42 x L43)	\$ -	\$ -	\$ (62,640)	\$ 175,380	\$ -	\$ -
45	Federal Taxable Income (L43 - L44)	\$ -	\$ -	\$ (836,322)	\$ 2,341,554	\$ -	\$ -
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ -	\$ -	\$ (7,500)	\$ 7,500	\$ -	\$ -
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ -	\$ -	\$ (6,250)	\$ 6,250	\$ -	\$ -
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -	\$ -	\$ (8,500)	\$ 8,500	\$ -	\$ -
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -	\$ -	\$ (91,650)	\$ 91,650	\$ -	\$ -
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -	\$ -	\$ (170,450)	\$ 682,228	\$ -	\$ -
51	Total Federal Income Tax	\$ -	\$ -	\$ (284,350)	\$ 796,128	\$ -	\$ -
52	Combined Federal and State Income Tax (L44 + L51)	\$ -	\$ -	\$ (346,989)	\$ 971,508	\$ -	\$ -
53	Applicable Tax Rate				34.0000%		
54							
55							

(A)	(B)	(C)	(D)	(E)	(F)
Test Year			Staff Recommended		
		SCW Water	SCW Water		
		\$ 5,701,431	\$ 9,153,704		
		\$ 5,412,464	\$ 5,448,843		
		\$ 1,187,929	\$ 1,187,929		
		\$ (888,962)	\$ 2,516,934	\$ -	\$ -
		6.9680%	6.9680%		
		\$ (62,640)	\$ 175,380	\$ -	\$ -
		\$ (836,322)	\$ 2,341,554	\$ -	\$ -
		\$ (7,500)	\$ 7,500	\$ -	\$ -
		\$ (6,250)	\$ 6,250	\$ -	\$ -
		\$ (8,500)	\$ 8,500	\$ -	\$ -
		\$ (91,650)	\$ 91,650	\$ -	\$ -
		\$ (170,450)	\$ 682,228	\$ -	\$ -
		\$ (284,350)	\$ 796,128	\$ -	\$ -
		\$ (346,989)	\$ 971,508	\$ -	\$ -

Sun City West
\$ 37,239,151
3.1900%
\$ 1,187,929

Calculation of Interest Synchronization:

56	Rate Base (Schedule GWB-3, Col. (C), Line 18)
57	Weighted Average Cost of Debt
58	Synchronized Interest (L45 X L46)

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 48,893,385	\$ (15,408)	\$ 48,877,977
2	Less: Accumulated Depreciation	10,514,488	76,672	10,591,160
3	Net Plant in Service	<u>\$ 38,378,897</u>	<u>\$ (92,080)</u>	<u>\$ 38,286,817</u>
	<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 20,548	\$ 17,318	\$ 37,866
5	Less: Accumulated Amortization	1,057	-	1,057
6	Net CIAC	<u>19,491</u>	<u>17,318</u>	<u>36,809</u>
7	Advances in Aid of Construction (AIAC)	1,175,373		1,175,373
8	Imputed Reg AIAC	-	1,006,408	1,006,408
9	Imputed Reg CIAC	392,368	-	392,368
10	Deferred Income Tax Credits (Debits)	(1,326,577)	-	(1,326,577)
	Customer Meter Deposits	1,225		1,225
	<u>ADD:</u>			
11	Cash Working Capital	480,140	(438,413)	41,727
12	Prepayments	24,906	-	24,906
13	Supplies Inventory	56,510	-	56,510
14	Projected Capital Expenditures	##	-	-
15	Deferred Debits	(777,486)	892,284	114,798
16	Purchase Wastewater Treatment Charges	-	-	
17	Original Cost Rate Base	<u>\$ 37,901,086</u>	<u>\$ (661,935)</u>	<u>\$ 37,239,151</u>

References:

Column (A), Company Schedule B-2
Column (B): Schedule GWB-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(E) ADJ #5	(F) ADJ #6	(G) ADJ #7	(H) ADJ #8	(F) STAFF ADJUSTED
PLANT IN SERVICE:												
1	301000	Organization	20,086									\$ 20,086
2	302000	Franchises	1,346									\$ 1,346
3	303200	Land & Land Rights SS	11,651						-	-	-	\$ 11,651
4	303300	Land & Land Rights P	44,957						-	-	-	\$ 44,957
5	303500	Land & Land Rights TD	-						-	-	-	\$ -
6	303600	Land & Land Rights AG	-						-	-	-	\$ -
7	304100	Struct & Imp SS	7,620,981						-	-	-	\$ 7,620,981
8	304200	Struct & Imp P	224,821						-	-	-	\$ 224,821
9	304300	Struct & Imp WT	90,867						-	-	-	\$ 90,867
10	304400	Struct & Imp TD	-						-	-	-	\$ -
11	304600	Struct & Imp Offices	16,828						-	-	-	\$ 16,828
12	304800	Struct & Imp Misc	-						-	-	-	\$ -
13	305000	Collect & Impounding	-						-	-	-	\$ -
14	307000	Wells & Springs	2,587,380						-	-	-	\$ 2,587,380
15	310100	Power Generation Equip Other	36,044						-	-	-	\$ 36,044
16	311200	Pump Equip Electric	5,105,926						-	-	-	\$ 5,105,926
17	311300	Pump Equip Diesel	4,505						-	-	-	\$ 4,505
18	311500	Pump Equip Other	169,696						-	-	-	\$ 169,696
19		WT Equip Media	-						-	-	-	\$ -
20	320100	WT Equip Non-Media	6,346,603						(92,080)	-	-	\$ 6,254,523
21	330000	Dist Reservoirs & Standpipe	760,063	76,672					-	-	-	\$ 836,735
22	331001	TD Mains Not Classified by Size	13,055,020						-	-	-	\$ 13,055,020
23	331100	TD Mains 4in & Less	616						-	-	-	\$ 616
24	331200	TD Mains 6in to 8in	409,389						-	-	-	\$ 409,389
25	331300	TD Mains 10in to 16in	252,698						-	-	-	\$ 252,698
26	332000	Fire Mains	169						-	-	-	\$ 169
27	333000	Services	7,342,742						-	-	-	\$ 7,342,742
28	334100	Meters	1,756,083						-	-	-	\$ 1,756,083
29	334200	Meter Installations	147,291						-	-	-	\$ 147,291
30	335000	Hydrants	1,835,680						-	-	-	\$ 1,835,680
31	339100	Other P/E Intangible	-						-	-	-	\$ -
32	339500	Other P/E SS	-						-	-	-	\$ -
33	340100	Office Furniture & Equip	20,787						-	-	-	\$ 20,787
34	340200	Comp & Periph Equip	46,715						-	-	-	\$ 46,715
35	341100	Trans Equip Lt Duty Trks	225,177						-	-	-	\$ 225,177
36	341200	Trans Equip Hvy Duty Trks	21,027						-	-	-	\$ 21,027
37	342000	Stores Equipment	142						-	-	-	\$ 142
38	343000	Tools,Shop, Garage Equip	19,641						-	-	-	\$ 19,641
39	344000	Laboratory Equipment	1,606						-	-	-	\$ 1,606
40	345000	Power Operated Equipment	181,885						-	-	-	\$ 181,885
41	346100	Comm Equip Non-Telephone	163,135						-	-	-	\$ 163,135
42	346300	Comm Equip Other	1,338						-	-	-	\$ 1,338
43			-						-	-	-	\$ -
44			-						-	-	-	\$ -
45	304620	Struct & Imp Leasehold	22,828						-	-	-	\$ 22,828
46	331001	Mains	-						-	-	-	\$ -
47	340100	Office Furniture & Equip	113,033						-	-	-	\$ 113,033
48	340200	Comp & Periph Equip	45,973						-	-	-	\$ 45,973
49	340300	Computer Software	180,903						-	-	-	\$ 180,903
50	340300	Computer Software-Other	4,699						-	-	-	\$ 4,699
51	343000	Tools,Shop, Garage Equip	3,864						-	-	-	\$ 3,864
52	346100	Comm Equip Non-Telephone	18,698						-	-	-	\$ 18,698
53	346300	Comm Equip Other	493						-	-	-	\$ 493
54			-						-	-	-	\$ -
55	Total Plant in Service		48,893,385	76,672					(92,080)			48,877,977
56												
57	Accumulated Depreciation		10,514,488	76,672								10,591,160
58	Net Plant in Service (L58 - L 59)		\$ 38,378,897	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (92,080)	\$ -	\$ -	\$ 38,286,817
59												
60	LESS:											
61		Contributions in Aid of Construction (CIAC)	\$ 20,548		\$ -	\$ -	\$ -	\$ 17,318	\$ -	\$ -	\$ -	\$ 37,866
62		Less: Accumulated Amortization	1,057		-	-	-	-	-	-	-	1,057
63		Net CIAC (L63 - L64)	19,491		-	-	-	17,318	-	-	-	36,809
64		Advances in Aid of Construction (AIAC)	1,175,373		-	-	-	-	-	-	-	1,175,373
65		Imputed Reg Advances	-		-	1,006,408	-	-	-	-	-	1,006,408
66		Imputed Reg CIAC	392,368		-	-	-	-	-	-	-	392,368
67		Deferred Income Tax Credits (Debits)	(1,326,577)		-	-	-	-	-	-	-	(1,326,577)
68		Customer Meter Deposits	1,225		-	-	-	-	-	-	-	1,225
69												
70		Working Capital Allowance	480,140		(438,413)	-	-	-	-	-	-	41,727
71		Pumping Power	-		-	-	-	-	-	-	-	-
72		Purchase Wastewater Treatment Charges	-		-	-	-	-	-	-	-	-
73		Material and Supplies Inventory	56,510		-	-	-	-	-	-	-	56,510
74		Prepayments	24,906		-	-	-	-	-	-	-	24,906
75		Projected Capital Expenditures	-		-	-	-	-	-	-	-	-
76		Deferred Debits	(777,486)		-	-	-	892,284	-	-	-	114,798
77	Original Cost Rate Base		\$ 37,901,086	\$ -	\$ (438,413)	\$ -	\$ 892,284	\$ (17,318)	\$ (92,080)	\$ -	\$ -	\$ 37,239,151

ADJ #	Reference:
1	Plant, Accumulated Depreciation and AIA Schedule GWS-5
2	Working Capital Schedule GWS-6
3	Imputed Reg AIAC Schedule GWS-7
4	Deferred Debits Schedule GWS-8
5	CIAC/AIAC in CWIP Schedule GWS-9
6	Overcapacity of Arsenic Treatment Plant Schedule GWS-9A

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Test Year Ended December 31, 2007

Schedule GWB-5
SURREBUTTAL

RATE BASE ADJUSTMENT #1 - PLANT, ACCUMULATED DEPRECIATION, AND AIAC

LINE NO.	ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	330.00	Dist Reservoirs & Standpipe Plant	-	76,672	76,672
		Dist Reservoirs & Standpipe Acc. Depreciation	-	76,672	76,672

References:

Column [A]: Amounts included in plant balances per filing.

Column (B): Per Testimony GWB

Column (C): Column [A] less Column [B]

RATE BASE ADJUSTMENT #2 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 703,217	\$ -	703,217	12.00	\$ 8,438,609
2	Purchased Water	\$ (2,690)	-	(2,690)	86.87	\$ (233,682)
3	Fuel & Power	\$ 830,074	-	830,074	32.42	\$ 26,910,992
4	Chemicals	\$ 227,889		227,889	28.47	\$ 6,488,013
5	Waste Disposal	\$ 4,391		4,391	30.00	\$ 131,730
6	Management Fees	\$ 999,903		999,903	(3.88)	\$ (3,879,624)
7	Group Insurance	\$ 191,120		191,120	(4.64)	\$ (886,797)
8	Pensions	\$ 137,699		137,699	45.00	\$ 6,196,439
9	Regulatory Expense	\$ 33,802		33,802	30.00	\$ 1,014,060 *
10	Insurance Other Than Group	\$ 58,622		58,622	45.00	\$ 2,637,990
11	Customer Accounting	\$ 133,476		133,476	7.46	\$ 995,731
12	Rents	\$ 14,331		14,331	(10.68)	\$ (153,055)
13	General Office Expense	\$ 57,226		57,226	30.00	\$ 1,716,780 *
14	Miscellaneous	\$ 232,408		232,408	30.00	\$ 6,972,229 *
15	Maintenance Expense	\$ 247,328		65,577	30.00	\$ 1,967,310 *
16	Taxes Other Than Income-Property Taxes	\$ 179,896		180,453	212.50	\$ 38,346,249
17	Taxes Other Than Income-Other	\$ 65,832		65,832	15.65	\$ 1,030,267
18	Income Taxes	\$ (324,059)	(22,930)	(346,989)	42.04	\$ (14,587,427)
19	Interest		1,187,929	1,187,929	106.52	\$ 126,538,187
20	Total Operating Expenses	3,790,465	1,164,999	4,774,269	764.73	209,644,001
21						
22						
23	Expense Lag	Line 21, Col. (E) / Col [C]	43.91			
24	Revenue Lag	Company Workpapers	47.10			
25	Net Lag	Line 24 - 23	3.19			
26	Staff Adjusted Expenses	Line 20, Col 35	4,774,269			
27	Cash Working Capital	Line 25 * Line 26/365 day	41,727			
28	Company As Filed	Co Schedule B-5	480,140			
29	Staff Adjustment	To GWB-4	(438,413)			
30						

- 31 References:
32 Column [A]: Company Schedule C-1
33 Column [B]: Staff adjustments to expenses, See Testimony GWB
34 Column [C]: Column [A] + Column [B]
35 Column [D]: Expense Lags Used on Docket WS-01303A-06-0403, approved in Decision No. 70372
36 Column [E]: Column [C] * Column [D]

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Schedule GWB- 7
SURREBUTTAL

RATE BASE ADJUSTMENT #3 - IMPUTED REGULATORY AIAC

LINE NO.	DESCRIPTION	[A] YEAR OF ADVANCE	[B] ADVANCE AMOUNT	[C] CIAC AMORTIZED	[D] CIAC REMAING BALANCE
1	Beginning Balance Per Decision No. 67093	2001	\$ 12,151,160		\$ 12,151,160
2	None	2002	-	1,797,706	10,353,454
3	None	2003	-	1,869,409	8,484,045
4	None	2004	-	1,869,409	6,614,636
5		2005		1,869,409	4,745,226
6		2006		1,869,409	2,875,817
7	None	2007	-	1,869,409	1,006,408
8	Per Staff		<u>\$ 12,151,160</u>	<u>\$ 11,144,752</u>	\$ 1,006,408
9	Company Proposed Imputed Reg. AIAC			\$ -	-
10	Staff Adjustment				<u>\$ 1,006,408</u>

REFERENCES:

Columns [A]: Fiscal Years

Column [B]: Beginning Balance per Decision No. 67093

Column [C]: Annual Amortization of Col [B] using 6.5 year recovery period per Decision No. 67093

Column [D]: CIAC per Decision No. 67093, less amortization.

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Schedule GWB - 8
SURREBUTTAL

RATE BASE ADJUSTMENT #4 - DEFERRED DEBITS

LINE NO.	DESCRIPTION		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	At December 31, 2007	2007	(777,486)	892,284	114,798
6			<u>\$ (777,486)</u>	<u>\$ 892,284</u>	<u>\$ (1,669,770)</u>

REFERENCES:

Columns [A]: Company schedules
Column [B]: Column [C] less Column [A]
Column [C]: See testimony GWB

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Schedule GWB - 9
SURREBUTTAL

RATE BASE ADJUSTMENT #5 - CIAC ON CWIP

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	CIAC	19,491	\$ 17,318	\$ 36,809

References:
Column [A]: Amounts included Per filing.

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Schedule GWB - 9A
SURREBUTTAL

RATE BASE ADJUSTMENT #7 - OVERCAPACITY OF ARESENIC TREATMENT PLANT

ACCT <u>NO.</u>	<u>Description</u>	[A] COMPANY AS <u>FILED</u>	[B] STAFF ADJUSTMENTS	[C] STAFF AS <u>ADJUSTED</u>
320101	WT Equip Non-Media	760,063	\$ (92,080)	\$ 667,983

References:

Column [A]: Amounts included in plant balances per filing.

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1						
2	Water Revenues	\$ 5,661,030	\$ -	\$ 5,661,030	\$ 3,452,273	\$ 9,113,303
3	Other Revenues	40,401	-	40,401	-	40,401
4	Other	-	-	-	-	-
5	Total Operating Revenues	<u>\$ 5,701,431</u>	<u>\$ -</u>	<u>\$ 5,701,431</u>	<u>\$ 3,452,273</u>	<u>\$ 9,153,704</u>
6	Operating Expenses					
7	Labor	\$ 703,217	\$ -	703,217	\$ -	\$ 703,217
8	Purchased Water	\$ (2,690)	-	(2,690)	-	(2,690)
9	Fuel & Power	\$ 830,074	-	830,074	-	830,074
10	Chemicals	\$ 227,889	-	227,889	-	227,889
11	Waste Disposal	\$ 4,391	-	4,391	-	4,391
12	Management Fees	\$ 999,903	-	999,903	-	999,903
13	Group Insurance	\$ 191,120	-	191,120	-	191,120
14	Pensions	\$ 137,699	-	137,699	-	137,699
15	Regulatory Expense	\$ 33,802	-	33,802	-	33,802
16	Insurance Other Than Group	\$ 58,622	-	58,622	-	58,622
17	Customer Accounting	\$ 133,476	-	133,476	-	133,476
18	Rents	\$ 14,331	-	14,331	-	14,331
19	General Office Expense	\$ 57,226	-	57,226	-	57,226
20	Miscellaneous	\$ 232,408	-	232,408	-	232,408
21	Maintenance Expense	\$ 247,328	(181,751)	65,577	-	65,577
22	Depreciation & Amortization	\$ 1,323,541	155,593	1,479,134	-	1,479,134
23	General Taxes-Property Taxes	\$ 179,896	557	180,453	36,379	216,832
24	General Taxes-Other	\$ 65,832	-	65,832	-	65,832
25	Income Taxes	\$ (324,059)	(22,930)	(346,989)	1,318,497	971,508
26						
27						
28	Total Operating Expenses	<u>5,114,006</u>	<u>(48,531)</u>	<u>5,065,475</u>	<u>1,354,876</u>	<u>6,420,351</u>
29	Operating Income (Loss)	<u>\$ 587,425</u>	<u>\$ 48,531</u>	<u>\$ 635,956</u>	<u>\$ 2,097,397</u>	<u>\$ 2,733,353</u>

References:

Column (A): Company Schedule C-1
Column (B): Schedule GTM 11
Column (C): Column (A) + Column (B)
Column (D): Schedules GWB 2, Lines 29 and 37
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Tank Maint. ADJ #1	[C] Depreciation Exp. ADJ #2	[D] Property Taxes ADJ #3	[E] Income Taxes ADJ #4	[G] STAFF ADJUSTED
1							
2	Water Revenues	\$ 5,661,030	\$ -	\$ -	\$ -	\$ -	\$ 5,661,030
3	Other Revenues	40,401	-	-	-	-	\$ 40,401
4	Other	-	-	-	-	-	\$ -
5	Total Operating Revenues	\$ 5,701,431	\$ -	\$ -	\$ -	\$ -	\$ 5,701,431
6							
7	Labor	\$ 703,217	\$ -	\$ -	\$ -	\$ -	703,217
8	Purchased Water	(2,690)	-	-	-	-	(2,690)
9	Fuel & Power	830,074	-	-	-	-	830,074
10	Chemicals	227,889	-	-	-	-	227,889
11	Waste Disposal	4,391	-	-	-	-	4,391
12	Management Fees	999,903	-	-	-	-	999,903
13	Group Insurance	191,120	-	-	-	-	191,120
14	Pensions	137,699	-	-	-	-	137,699
15	Regulatory Expense	33,802	-	-	-	-	33,802
16	Insurance Other Than Group	58,622	-	-	-	-	58,622
17	Customer Accounting	133,476	-	-	-	-	133,476
18	Rents	14,331	-	-	-	-	14,331
19	General Office Expense	57,226	-	-	-	-	57,226
20	Miscellaneous	232,408	-	-	-	-	232,408
21	Maintenance Expense	247,328	(181,751)	-	-	-	65,577
22	Depreciation & Amortization	1,323,541	-	155,593	-	-	1,479,134
23	General Taxes-Property Taxes	179,896	-	-	557	-	180,453
24	General Taxes-Other	65,832	-	-	-	-	65,832
25	Income Taxes	(324,059)	-	-	-	(22,930)	(346,989)
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
38							
39							
40							
41							
42	Total Operating Expenses	\$ 5,114,006	\$ (181,751)	\$ 155,593	\$ 557	\$ (22,930)	\$ 5,065,475
43	Operating Income (Loss)	\$ 587,425	\$ 181,751	\$ (155,593)	\$ (557)	\$ 22,930	\$ 635,956

ADJ #	References:
1 Management Fees	GTM 12
2 Depreciation Expense	GTM 13
3 Property Taxes	GTM 14
4 Income Taxes	GTM 2

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Surrebuttal Schedule GTM-12

OPERATING INCOME ADJUSTMENT #1 - MAINTENANCE ACCRUAL

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Maintenance Expense	<u>\$ 247,328</u>	<u>\$ (181,751)</u>	<u>\$ 65,577</u>

<u>Repair and Maintenance Expenses</u>	
Calendar year 2005	37,609
Calendar year 2006	48,820
Calendar year 2007	<u>110,302</u>
Total for three year period	<u>196,731</u>

OPERATING ADJUSTMENT #2- DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	DESCRIPTION	[A] PLANT BALANCE	[B] DEPRECIATION RATE	[C] DEPRECIATION EXPENSE
1		<u>PLANT IN SERVICE:</u>			
2	301000	Organization	20,086	0.00%	-
3	302000	Franchises	1,346	0.00%	-
4	303200	Land & Land Rights SS	11,651	0.00%	-
5	303300	Land & Land Rights P	44,957	0.00%	-
6	303500	Land & Land Rights TD	-	0.00%	-
7	303600	Land & Land Rights AG	-	0.00%	-
8	304100	Struct & Imp SS	7,620,981	2.50%	190,525
9	304200	Struct & Imp P	224,821	1.67%	3,755
10	304300	Struct & Imp WT	90,867	1.67%	1,517
11	304400	Struct & Imp TD	-	2.00%	-
12	304600	Struct & Imp Offices	16,828	4.63%	779
13	304800	Struct & Imp Misc	-	0.00%	-
14	305000	Collect & Impounding	-	0.00%	-
15	307000	Wells & Springs	2,587,380	2.52%	65,202
16	310100	Power Generation Equip Other	36,044	4.42%	1,593
17	311200	Pump Equip Electric	5,105,926	4.42%	225,682
18	311300	Pump Equip Diesel	4,505	5.00%	225
19	311500	Pump Equip Other	169,696	5.01%	8,502
	0	WT Equip Media	-	5.00%	-
20	320100	WT Equip Non-Media	6,346,603	7.06%	448,070
21	330000	Dist Reservoirs & Standpipe	836,735	1.67%	13,973
22	331001	TD Mains Not Classified by Size	13,055,020	1.53%	199,742
23	331100	TD Mains 4in & Less	616	1.53%	9
24	331200	TD Mains 6in to 8in	409,389	1.53%	6,264
25	331300	TD Mains 10in to 16in	252,698	1.53%	3,866
26	332000	Fire Mains	169	1.53%	3
27	333000	Services	7,342,742	2.48%	182,100
28	334100	Meters	1,756,083	2.51%	44,078
29	334200	Meter Installations	147,291	2.51%	3,697
30	335000	Hydrants	1,835,680	2.00%	36,714
31	339100	Othber P/E Intangible	-	0.00%	-
32	339500	Other P/E SS	-	2.00%	-
33	340100	Office Furniture & Equip	20,787	4.59%	954
34	340200	Comp & Periph Equip	46,715	10.00%	4,672
35	341100	Trans Equip Lt Duty Trks	225,177	20.00%	45,035
36	341200	Trans Equip Hvy Duty Trks	21,027	15.00%	3,154
37	342000	Stores Equipment	142	3.91%	6
38	343000	Tools,Shop,Garage Equip	19,641	4.02%	790
39	344000	Laboratory Equipment	1,606	3.71%	60
40	345000	Power Operated Equipment	161,885	5.02%	8,127
41	346100	Comm Equip Non-Telephone	163,135	10.30%	16,803
42	346300	Comm Equip Other	1,338	4.93%	66
43					
44					
45	304620	Struct & Imp Leasehold	22,828	14.28%	3,260
46	331001	Mains	-	1.53%	-
47	340100	Office Furniture & Equip	113,033	4.59%	5,188
48	340200	Comp & Periph Equip	45,973	10.00%	4,597
49	340300	Computer Software	180,903	25.00%	45,226
50	340300	Computer Software-Other	4,699	25.00%	1,175
51	343000	Tools,Shop,Garage Equip	3,864	4.02%	155
52	346100	Comm Equip Non-Telephone	18,698	10.30%	1,926
53	346300	Comm Equip Other	493	4.93%	24
54		Total Plant in Service	48,970,057	3.22%	1,577,512
55					
56					
57		Less Non Depreciable Plant			
58	301000	Organization	20,086	0.00%	-
59	302000	Franchises	1,346	0.00%	-
60	303200	Land & Land Rights SS	11,651	0.00%	-
61	303300	Land & Land Rights P	44,957	0.00%	-
62	304620	Struct & Imp Leasehold	22,828	14.28%	3,260
63		Net Depreciable Plant and Depreciation Amounts	\$ 48,869,189		\$ 1,574,252
64		Composite Depreciation Rate		3.22%	
65		Less			
66		Amortization of Regulatory CIAC at Settlement Rate			97,158
67		Amortization of CIAC at Composite Rate	\$ 37,866		\$ 1,220
68		Staff Recommended Depreciation Expense			\$ 1,479,134
69		Company Proposed Depreciation Expense			1,323,541
70		Staff Adjustment			\$ 155,593

Col A	References:
Col B	Schedule GWB-4
Col C	Proposed Rates per Staff Engineering Report for Non Allocated Plant
	Col [A] times Col [B]

OPERATING ADJUSTMENT #3 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 5,701,431	\$ 5,701,431
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	11,402,862	11,402,862
4	Staff Recommended Revenue	5,701,431	9,153,704
5	Subtotal (Line 4 + Line 5)	17,104,293	20,556,566
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	5,701,431	6,852,189
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	11,402,862	13,704,378
10	Plus: 10% of CWIP - 2005	13,454	13,454
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	11,416,316	13,717,832
13	Assessment Ratio	0.23	0.230
14	Assessment Value (Line 12 * Line 13)	2,625,753	3,155,101
15	Composite Property Tax Rate - Obtained from ADOR	6.87%	6.87%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 180,453	
17	Company Proposed Property Tax	\$ 179,896	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ 557	
19	Property Tax on Staff Recommended Revenue (Line 14 * Line 15)		\$ 216,832
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 180,453
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 36,379
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 36,379
23	Increase in Revenue Requirement		\$ 3,452,273
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.05377%

REFERENCES:

0

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue

Line 17: Company Schedule C-1, Line 24

Line 21: Line 19 - Line 20

Line 23: Schedule GWB-1, Line 8

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Surrebuttal Schedule GTM-15

OPERATING INCOME ADJUSTMENT #4 - INCOME TAXES

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Taxes	\$ (324,059)	\$ (22,930)	\$ (346,989)

References:

Column (A), Company Schedule C-2

Column (B): Testimony GTM

Column (C): Column (A) + Column (B)

ARIZONA-AMERICAN WATER COMPANY - PARADISE VALLEY WATER

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SURREBUTTAL TESTIMONY OF GERALD BECKER

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GWB- 2	GROSS REVENUE CONVERSION FACTOR
GWB- 3	RATE BASE - ORIGINAL COST
GWB- 4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
GWB- 5	RATE BASE ADJUSTMENT #1- PLANT, ACCUMULATED DEPRECIATION & AIAC
GWB- 6	RATE BASE ADJUSTMENT #2 - WORKING CAPITAL
GWB- 7	RATE BASE ADJUSTMENT #3 - CIAC IN CWIP
GWB- 8	RATE BASE ADJUSTMENT #4 - DEFERRED DEBITS
GWB- 9	RATE BASE ADJUSTMENT #5 - ACCUMULATED DEPRECIATION CORRECTION
GWB- 10	OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED
GTM- 11	SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR
GTM- 12	OPERATING INCOME ADJUSTMENT #1 - TANK MAINTENANCE ACCRUAL
GTM- 13	OPERATING INCOME ADJUSTMENT #2 - DEPRECIATION EXPENSE
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GTM- 15	OPERATING INCOME ADJUSTMENT #4 - PROPERTY TAX EXPENSE
GTM- 16	OPERATING INCOME ADJUSTMENT #5 - INCOME TAX EXPENSE

ARIZONA-AMERICAN WATER COMPANY - PARADISE VALLEY WATER
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Schedule GWB-1
SURREBUTTAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 40,864,986	\$ 40,864,986	\$ 38,855,656	\$ 38,855,656
2	Adjusted Operating Income (Loss)	\$ 1,552,497	\$ 1,552,497	\$ 1,867,671	\$ 1,867,671
3	Current Rate of Return (L2 / L1)	3.80%	3.80%	4.81%	4.81%
4	Required Rate of Return	8.40%	8.40%	7.34%	7.34%
5	Required Operating Income (L4 * L1)	\$ 3,432,659	\$ 3,432,659	\$ 2,852,005	\$ 2,852,005
6	Operating Income Deficiency (L5 - L2)	\$ 1,880,161	\$ 1,880,161	\$ 984,334	\$ 984,334
7	Gross Revenue Conversion Factor	1.6496	1.6496	1.6473	1.6473
8	Required Revenue Increase (L7 * L6)	\$ 3,101,546	\$ 3,101,546	\$ 1,621,522	\$ 1,621,522
9	Adjusted Test Year Revenue	\$ 7,848,732	\$ 7,848,732	\$ 7,848,732	\$ 7,848,732
10	Proposed Annual Revenue (L8 + L9)	\$ 10,950,278	\$ 10,950,278	\$ 9,470,254	\$ 9,470,254
11	Required Increase in Revenue (%)	39.52%	39.52%	20.66%	20.66%
12	Rate of Return on Common Equity (%)	11.75%	11.75%	10.00%	10.00%

References:

Column (A): Company Schedule A-1

Column (B): Company Schedule A-1

Column (C): Staff Schedules GWB-2, GWB-3, and GWB-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
----------	-------------	-----	-----	-----	-----	-----	-----

Calculation of Gross Revenue Conversion Factor:

1	Revenue	100.0000%
2	Uncollectible Factor (Line 11)	0.0000%
3	Revenues (L1 - L2)	100.0000%
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.2957%
5	Subtotal (L3 - L4)	60.7043%
6	Revenue Conversion Factor (L1 / L5)	1.647328

Calculation of Uncollectible Factor:

7	Unity	100.0000%
8	Combined Federal and State Tax Rate (Line 17)	38.5989%
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%
10	Uncollectible Rate	0.0000%
11	Uncollectible Factor (L9 * L10)	0.0000%

Calculation of Effective Tax Rate:

12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%
13	Arizona State Income Tax Rate	6.9680%
14	Federal Taxable Income (L12 - L13)	93.0320%
15	Applicable Federal Income Tax Rate (Line 44)	34.0000%
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%
17	Combined Federal and State Income Tax Rate (L13 + L16)	38.5989%

Calculation of Effective Property Tax Factor:

18	Unity	100.0000%
19	Combined Federal and State Income Tax Rate (L17)	38.5989%
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%
21	Property Tax Factor (GTM-14, L24)	1.1348%
22	Effective Property Tax Factor (L20*L21)	0.6968%
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)	39.2957%

24	Required Operating Income (Schedule GWB-1, Line 5)	\$ 2,852,005
25	Adjusted Test Year Operating Income (Loss) (Schedule GWB-10, Line 42)	\$ 1,867,671
26	Required Increase in Operating Income (L24 - L25)	\$ 984,334
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 1,011,624
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ 392,836
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)	\$ 618,787
30	Recommended Revenue Requirement (Schedule GWB-1, Line 10)	\$ 9,470,254
31	Uncollectible Rate (Line 10)	0.0000%
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -
33	Adjusted Test Year Uncollectible Expense	\$ -
34	Required Increase in Revenue to Provide for Uncollectible Exp.	\$ -
35	Property Tax with Recommended Revenue (GTM-15, 20)	\$ 285,829
36	Property Tax on Test Year Revenue (GTM-15, Col A, L16)	\$ 267,428
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)	\$ 18,401
38	Total Required Increase in Revenue (L26 + L29 + L37)	\$ 1,621,523

Calculation of Income Tax:

39	Revenue (Sch GWB-9, Col.(C) L5, GWB-1, Col. (D), L9)	
40	Operating Expenses Excluding Income Taxes	
41	Synchronized Interest (L47)	
42	Arizona Taxable Income (L30 - L31 - L32)	
43	Arizona State Income Tax Rate	
44	Arizona Income Tax (L33 x L34)	
45	Federal Taxable Income (L33 - L35)	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	
51	Total Federal Income Tax	
52	Combined Federal and State Income Tax (L35 + L42)	

(A)	(B)	(C)
Test Year	Paradise Valley	
		\$ 7,848,732
		\$ 5,588,225
		\$ 1,242,767
\$ -	\$ -	\$ 1,017,740
		6.9680%
\$ -	\$ -	\$ 70,916
\$ -	\$ -	\$ 946,824
\$ -	\$ -	\$ 7,500
\$ -	\$ -	\$ 6,250
\$ -	\$ -	\$ 8,500
\$ -	\$ -	\$ 91,650
\$ -	\$ -	\$ 208,020
\$ -	\$ -	\$ 321,920
\$ -	\$ -	\$ 392,836

(D)	(E)	(F)
Paradise Valley	Staff Recommended	
\$ 9,470,254		
\$ 5,606,626		
\$ 1,242,767		
\$ 2,620,862		\$ -
6.9680%		
\$ 182,622		\$ -
\$ 2,438,241		\$ -
\$ 7,500		
\$ 6,250		
\$ 8,500		
\$ 91,650		
\$ 715,102		
\$ 829,002		
\$ 1,011,624		\$ -

34.0000%

Effective Tax Rate

53
54
55

Calculation of Interest Synchronization:

56	Rate Base (Schedule GWB-3, Col. (C), Line 18)	
57	Weighted Average Cost of Debt	
58	Synchronized Interest (L45 X L46)	

Paradise Valley
\$ 38,958,204
3.1900%
\$ 1,242,767

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 61,588,447	\$ 61,407,531
2	Less: Accumulated Depreciation	12,099,985	12,019,623
3	Net Plant in Service	<u>\$ 49,488,461</u>	<u>\$ 49,387,907</u>
<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 12,789,338	\$ 13,111,926
5	Less: Accumulated Amortization	5,539,222	5,539,222
6	Net CIAC	<u>7,250,116</u>	<u>7,572,704</u>
7	Advances in Aid of Construction (AIAC)	1,704,269	1,704,269
8	Imputed Reg AIAC	-	-
9	Imputed Reg CIAC	-	-
10	Deferred Income Tax Credits (Debits)	1,600,604	1,600,604
	Customer Meter Deposits	12,600	12,600
<u>ADD:</u>			
11	Cash Working Capital	549,034	46,483
12	Prepayments	117,955	117,955
13	Supplies Inventory	38,726	38,726
14	Projected Capital Expenditures	-	-
15	Deferred Debits	1,238,398	154,761
16	Purchase Wastewater Treatment Charges	-	-
17	Original Cost Rate Base	<u>\$ 40,864,986</u>	<u>\$ 38,855,656</u>

References:

Column (A), Company Schedule B-2
Column (B): Schedule GWB-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[E] ADJ #5	[F] STAFF ADJUSTED
PLANT IN SERVICE:									
1	301000	Organization	15,350						\$ 15,350
2	302000	Franchises	-						\$ -
3	339600	Miscellaneous Intangibles	10,520						\$ 10,520
4	303200	Land & Land Rights SS	-						\$ -
5	303300	Land & Land Rights P	-						\$ -
6	303500	Land & Land Rights TD	8,324						\$ 8,324
7	303600	Land & Land Rights AG	-						\$ -
8	304100	Struct & Imp SS	16,976,165						\$ 16,976,165
9	304200	Struct & Imp P	0						\$ 0
10	304300	Struct & Imp WT	3,003,090						\$ 3,003,090
11	304400	Struct & Imp TD	23,764						\$ 23,764
12	304500	Struct & Imp AG	5,732						\$ 5,732
13	304600	Struct & Imp Offices	-						\$ -
14	304700	Struct & Imp Store, Shop, Gar	3,036						\$ 3,036
15	304800	Struct & Imp Misc	(8,633)						\$ (8,633)
16	305000	Collect & Impounding	-						\$ -
17	307000	Wells & Springs	1,519,916						\$ 1,519,916
18	310100	Power Generation Equip Other	554,631						\$ 554,631
19	311200	Pump Equip Electric	3,600,015	(112,214)					\$ 3,487,801
20	311300	Pump Equip Diesel	190						\$ 190
21	311500	Pump Equip Other	-						\$ -
22	320100	WT Equip Non-Media	9,826,155						\$ 9,826,155
23	309000	Supply Mains	14,058						\$ 14,058
24	330000	Dist Reservoirs & Standpipe	2,184,648	(68,702)					\$ 2,115,946
25	331001	TD Mains Not Classified by Size	2,385,291						\$ 2,385,291
26	331100	TD Mains 4in & Less	114,959						\$ 114,959
27	331200	TD Mains 6in to 8in	5,046,296						\$ 5,046,296
28	331300	TD Mains 10in to 16in	9,132,418						\$ 9,132,418
29	332000	Fire Mains	14,058						\$ 14,058
30	333000	Services	2,724,758						\$ 2,724,758
31	334100	Meters	350,870						\$ 350,870
32	334200	Meter Installations	148,304						\$ 148,304
33	335000	Hydrants	1,054,322						\$ 1,054,322
34	339100	Other P/E Intangible	-						\$ -
35	339500	Other P/E TD	-						\$ -
36	340100	Office Furniture & Equip	58,812						\$ 58,812
37	340200	Comp & Periph Equip	38,292						\$ 38,292
38	340300	Computer Software	14,711						\$ 14,711
39	340500	Other Office Equipment	674						\$ 674
40	341100	Trans Equip Lt Duty Trks	(0)						\$ (0)
41	341300	Trans Equip Autos	3,541						\$ 3,541
42	341400	Trans Equip Other (golf carts only)	27,905						\$ 27,905
43	343000	Tools, Shop, Garage Equip	111,116						\$ 111,116
44	344000	Laboratory Equipment	17,620						\$ 17,620
45	345000	Power Operated Equipment	96,131						\$ 96,131
46	346100	Comm Equip Non-Telephone	386,889						\$ 386,889
47	346300	Comm Equip Other	58,841						\$ 58,841
48			-						\$ -
49	300000	Property Held for Future Use	34,409						\$ 34,409
50	AFUDC Debt		1,778						\$ 1,778
51			-						\$ -
52	304620	Struct & Imp Leasehold	7,028						\$ 7,028
53	331001	Mains	-						\$ -
54	340100	Office Furniture & Equip	34,801						\$ 34,801
55	340200	Comp & Periph Equip	14,155						\$ 14,155
56	340300	Computer Software	55,697						\$ 55,697
57	340300	Computer Software-Other	1,447						\$ 1,447
58	343000	Tools, Shop, Garage Equip	1,190						\$ 1,190
59	346100	Comm Equip Non-Telephone	5,757						\$ 5,757
60	346300	Comm Equip Other	152						\$ 152
61			-						\$ -
62	Post TY Plant		-						\$ -
63	Redrilling Well #12 by Oct 2008		-						\$ -
64	307000	Wells & Springs	1,257,750						\$ 1,257,750
65	311200	Pump Equip Electric	677,250						\$ 677,250
66			-						\$ -
67	Removal of Existing Well #12		-						\$ -
68	307000	Wells & Springs	(109,294)						\$ (109,294)
69	311200	Pump Equip Electric	(50,679)						\$ (50,679)
70			-						\$ -
71	Rehabilitate Well #17		-						\$ -
72	304620	Struct & Imp Leasehold	650						\$ 650
73	304700	Struct & Imp Store, Shop, Gar	1,300						\$ 1,300
74	307000	Wells & Springs	169,390						\$ 169,390
75	309000	Supply Mains	8,450						\$ 8,450
76	311200	Pump Equip Electric	83,200						\$ 83,200
77	311500	Pump Equip Other	19,500						\$ 19,500
78	334100	Meters	5,590						\$ 5,590
79			-						\$ -
80	Removal of Existing Well #17		-						\$ -
81	307000	Wells & Springs	(163,649)						\$ (163,649)
82	311300	Pump Equip Diesel	(191)						\$ (191)
83			-						\$ -
84	Total Net Post TY Additions		1,899,267						\$ 1,899,267
85			-						\$ -
86			-						\$ -
87	Total Plant in Service		61,588,448	(180,916)	-	-	-	-	61,407,532
88			-						\$ -
89	Accumulated Depreciation		12,099,985	(180,916)	-	-	-	100,554	12,019,623
90	Net Plant in Service (L58 - L59)		\$ 49,488,463	\$ -	\$ -	\$ -	\$ -	\$ (100,554)	\$ 49,387,909
91			-						\$ -
92	LESS:		-						\$ -
93	Contributions in Aid of Construction (CIAC)		\$ 12,789,338		\$ -	\$ 322,588	\$ -	\$ -	\$ 13,111,926
94	Less: Accumulated Amortization		5,539,222	-	-	-	-	-	5,539,222
95	Net CIAC (L63 - L64)		7,250,116	-	-	322,588	-	-	7,572,704
96	Advances in Aid of Construction (AIAC)		1,704,269	-	-	-	-	-	1,704,269
97	Imputed Reg Advances		-	-	-	-	-	-	-
98	Imputed Reg CIAC		-	-	-	-	-	-	-
99	Deferred Income Tax Credits (Debits)		1,600,604	-	-	-	-	-	1,600,604
100	Customer Meter Deposits		12,600	-	-	-	-	-	12,600
101	ADD:		-						\$ -
102	Working Capital Allowance		549,034	-	(502,551)	#	-	-	46,483
103	Pumping Power		-	-	-	-	-	-	-
104	Purchase Wastewater Treatment Charges		-	-	-	-	-	-	-
105	Material and Supplies Inventory		38,726	-	-	-	-	-	38,726
106	Prepayments		117,955	-	-	-	-	-	117,955
107	Projected Capital Expenditures		-	-	-	-	-	-	-
108	Deferred Debits		1,238,398	-	-	-	(1,083,637)	-	154,761
109	Original Cost Rate Base		\$ 40,864,986	\$ -	\$ (502,551)	\$ (322,588)	\$ (1,083,637)	\$ (100,554)	\$ 38,855,858

ADJ #	References:
1	Plant, Accumulated Depreciation Schedule GWB-5
2	Working Capital Schedule GWB-6
3	CIAC on CWIP Schedule GWB-7
4	Deferred Debits Schedule GWB-8
5	Error Correction per Co. Rebuttal Testimony Schedule GWB-9

ARIZONA-AMERICAN WATER COMPANY - PARADISE VALLEY WATER
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Schedule GWB-5
SURREBUTTAL

RATE BASE ADJUSTMENT #1 - PLANT, ACCUMULATED DEPRECIATION

LINE NO.	ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	330.00	Dist Reservoirs & Standpipe Plant	68,702	(68,702)	-
		Dist Reservoirs & Standpipe Acc.Depreciation	68,702	(68,702)	-
	311.20	Pump Equip Electric	112,214	(112,214)	-
		Pump Equip Electric Acc Depreciation	112,214	(112,214)	-

References:

Column [A]: Amounts included in plant balances per filing.

Column (B): Per Testimony GWB

Column (C): Column [A] less Column [B]

RATE BASE ADJUSTMENT #2 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 715,859	\$ -	715,859	12.00	\$ 8,590,308
2	Purchased Water	\$ -	-	-	86.87	\$ -
3	Fuel & Power	\$ 693,068	-	693,068	32.42	\$ 22,469,271
4	Chemicals	\$ 236,982	-	185,037	28.47	\$ 5,268,003
5	Waste Disposal	\$ (290)	-	(290)	30.00	\$ (8,700)
6	Management Fees	\$ 923,778	-	923,778	(3.88)	\$ (3,584,259)
7	Group Insurance	\$ 184,827	-	184,827	(4.64)	\$ (857,599)
8	Pensions	\$ 130,911	-	130,911	45.00	\$ 5,890,998
9	Regulatory Expense	\$ 21,283	-	21,283	30.00	\$ 638,490
10	Insurance Other Than Group	\$ 45,435	-	45,435	45.00	\$ 2,044,575
11	Customer Accounting	\$ 123,742	-	123,742	7.46	\$ 923,115
12	Rents	\$ 21,467	-	21,467	(10.68)	\$ (229,268)
13	General Office Expense	\$ 87,860	-	87,860	30.00	\$ 2,635,800
14	Miscellaneous	\$ 351,828	-	351,828	30.00	\$ 10,554,840
15	Maintenance Expense	\$ 578,292	-	124,831	30.00	\$ 3,744,930
16	Taxes Other Than Income-Property Taxes	\$ 268,996	-	285,829	212.50	\$ 60,738,731
17	Taxes Other Than Income-Other	\$ 67,972	-	67,972	15.65	\$ 1,063,769
18	Income Taxes	\$ 228,400	-	1,011,624	42.04	\$ 42,528,654
19	Interest		1,242,767	1,242,767	106.52	\$ 132,379,510
20	Total Operating Expenses	4,680,411	1,242,767	6,217,829	764.73	294,791,171
21						
22						
23	Expense Lag	Line 21, Col. (E) / Col [C]	47.41			
24	Revenue Lag	Company Workpapers	50.139			
25	Net Lag	Line 24 - 23	2.73			
26	Staff Adjusted Expenses	Line 20, Col 35	6,217,829			
27	Cash Working Capital	Line 25 * Line 26/365 day	46,483			
28	Company As Filed	Co Schedule B-5	549,034			
29	Staff Adjustment	To GWB-4	(502,551)			
30						
31	References:					
32	Column [A]: Company Schedule C-1					
33	Column [B]: Staff adjustments to expenses, See Testimony GWB					
34	Column [C]: Column [A] + Column [B]					
35	Column [D]: Expense Lags Used on Docket WS-01303A-06-0403, approved in Decision No. 70372					
36	Column [E]: Column [C] * Column [D]					

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Schedule GWB- 7
SURREBUTTAL

RATE BASE ADJUSTMENT #3 - CIAC ON CWIP

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	CIAC	12,789,338	\$ 322,588	\$13,111,926

References:

Column [A]: Amounts included Per filing.

Column (B): Per Testimony GWB

Column (C): Column [A] plus Column [B]

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Schedule GWB - 8
SURREBUTTAL

RATE BASE ADJUSTMENT #4 - DEFERRED DEBITS

LINE NO.	DESCRIPTION		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	At December 31, 2007	2007	1,238,398	(1,083,637)	154,761
6			<u>\$ 1,238,398</u>	<u>\$ (1,083,637)</u>	<u>\$ 2,322,036</u>

REFERENCES:

Columns [A]: Company schedules
Column [B]: Column [C] less Column [A]
Column [C]: See testimony GWB

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Schedule GWB - 9
SURREBUTTAL

RATE BASE ADJUSTMENT #5 - ACCUMULATED DEPRECIATION CORRECTION

DESCRIPTION		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
Accumulated Depreciation	2007	12,099,985	100,554	12,200,539
		<u>\$ 12,099,985</u>	<u>\$ 100,554</u>	<u>12,200,539</u>

REFERENCES:

Columns [A]: Company schedules

Column [B]: Error Correction Per Co. Rebuttal

(See Gutowski, page vii)

Column [C]: Col [A] plus Col [B]

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1						
2	Water Revenues	\$ 7,832,113	\$ -	\$ 7,832,113	\$ 1,621,522	\$ 9,453,635
3	Other Revenues	16,619	-	16,619	-	16,619
4	Other	-	-	-	-	-
5	Total Operating Revenues	\$ 7,848,732	\$ -	\$ 7,848,732	\$ 1,621,522	\$ 9,470,254
6						
7	Labor	\$ 715,859	\$ -	715,859	\$ -	\$ 715,859
8	Purchased Water	\$ -	-	-	-	-
9	Fuel & Power	\$ 693,068	-	693,068	-	693,068
10	Chemicals	\$ 236,982	(51,945)	185,037	-	185,037
11	Waste Disposal	\$ (290)	-	(290)	-	(290)
12	Management Fees	\$ 923,778	-	923,778	-	923,778
13	Group Insurance	\$ 184,827	-	184,827	-	184,827
14	Pensions	\$ 130,911	-	130,911	-	130,911
15	Regulatory Expense	\$ 21,283	-	21,283	-	21,283
16	Insurance Other Than Group	\$ 45,435	-	45,435	-	45,435
17	Customer Accounting	\$ 123,742	-	123,742	-	123,742
18	Rents	\$ 21,467	-	21,467	-	21,467
19	General Office Expense	\$ 87,860	-	87,860	-	87,860
20	Miscellaneous	\$ 351,828	-	351,828	-	351,828
21	Maintenance Expense	\$ 578,292	(453,461)	124,831	-	124,831
22	Depreciation & Amortization	\$ 1,615,824	27,364	1,643,187	-	1,643,187
23	General Taxes-Property Taxes	\$ 268,996	(1,567)	267,428	18,401	285,829
24	General Taxes-Other	\$ 67,972	-	67,972	-	67,972
25	Income Taxes	\$ 228,400	164,437	392,836	618,787	1,011,624
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	Total Operating Expenses	6,296,235	(315,173)	5,981,061	637,188	6,618,249
42	Operating Income (Loss)	\$ 1,552,497	\$ 315,173	\$ 1,867,671	\$ 984,334	\$ 2,852,005

References:

Column (A): Company Schedule C-1
Column (B): Schedule GTM 11
Column (C): Column (A) + Column (B)
Column (D): Schedules GWB 2, Lines 29 and 37
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Tank Maint. ADJ #1	[C] Depreciation Exp. ADJ #2	[D] Chemicals Exp ADJ #3	[E] Property Taxes ADJ #4	[F] Income Taxes ADJ #5	[G] STAFF ADJUSTED
1								
2	Water Revenues	\$ 7,832,113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,832,113
3	Other Revenues	16,619	-	-	-	-	-	\$ 16,619
4	Other	-	-	-	-	-	-	\$ -
5	Total Operating Revenues	<u>\$ 7,848,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,848,732</u>
6								
7	Labor	\$ 715,859	\$ -	\$ -	\$ -	\$ -	\$ -	715,859
8	Purchased Water	-	-	-	-	-	-	-
9	Fuel & Power	693,068	-	-	-	-	-	693,068
10	Chemicals	236,982	-	-	(51,945)	-	-	185,037
11	Waste Disposal	(290)	-	-	-	-	-	(290)
12	Management Fees	923,778	-	-	-	-	-	923,778
13	Group Insurance	184,827	-	-	-	-	-	184,827
14	Pensions	130,911	-	-	-	-	-	130,911
15	Regulatory Expense	21,283	-	-	-	-	-	21,283
16	Insurance Other Than Group	45,435	-	-	-	-	-	45,435
17	Customer Accounting	123,742	-	-	-	-	-	123,742
18	Rents	21,467	-	-	-	-	-	21,467
19	General Office Expense	87,860	-	-	-	-	-	87,860
20	Miscellaneous	351,828	-	-	-	-	-	351,828
21	Maintenance Expense	578,292	(453,461)	-	-	-	-	124,831
22	Depreciation & Amortization	1,615,824	-	27,364	-	-	-	1,643,187
23	General Taxes-Property Taxes	268,996	-	-	-	(1,567)	-	267,428
24	General Taxes-Other	67,972	-	-	-	-	-	67,972
25	Income Taxes	228,400	-	-	-	-	164,437	392,836
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36								
38								
39								
40								
41								
42	Total Operating Expenses	<u>\$ 6,296,235</u>	<u>\$ (453,461)</u>	<u>\$ 27,364</u>	<u>\$ (51,945)</u>	<u>\$ (1,567)</u>	<u>\$ 164,437</u>	<u>\$ 5,981,061</u>
43	Operating Income (Loss)	<u>\$ 1,552,497</u>	<u>\$ 453,461</u>	<u>\$ (27,364)</u>	<u>\$ 51,945</u>	<u>\$ 1,567</u>	<u>\$ (164,437)</u>	<u>\$ 1,867,671</u>

ADJ #	References:
1	Management Fees GTM 12
2	Depreciation Expense GTM 13
3	Chemicals Expense GTM 14
4	Property Taxes GTM 15
5	Income Taxes GTM 16

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Surrebuttal Schedule GTM-12

OPERATING INCOME ADJUSTMENT #1 - TANK MAINTENANCE ACCRUAL

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Maintenance Expense	\$ 578,292	\$ (453,461)	\$ 124,831

Repair and Maintenance Expenses

Calendar year 2005	70,856
Calendar year 2006	124,255
Calendar year 2007	179,382
Total for three year period	374,493
Normalization Period	3
Normalized Amount	124,831

References:

Column (A), Company Schedule C-1
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

OPERATING ADJUSTMENT #2- DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	DESCRIPTION	[A] PLANT BALANCE	[B] DEPRECIATION RATE	[C] DEPRECIATION EXPENSE
1		<u>PLANT IN SERVICE:</u>			
2	301000	Organization	15,350	0.00%	-
3	302000	Franchises	-	0.00%	-
4	339600	Miscellaneous Intangibles	10,520	0.00%	-
5	303200	Land & Land Rights SS	-	0.00%	-
6	303300	Land & Land Rights P	-	0.00%	-
7	303500	Land & Land Rights TD	8,324	0.00%	-
8	303600	Land & Land Rights AG	-	0.00%	-
9	304100	Struct & Imp SS	16,976,165	2.50%	424,404
10	304200	Struct & Imp P	0	3.99%	0
11	304300	Struct & Imp WT	3,003,090	2.00%	60,062
12	304400	Struct & Imp TD	23,764	1.50%	356
13	304500	Struct & Imp AG	5,732	3.99%	229
14	304600	Struct & Imp Offices	-	0.00%	-
15	304700	Struct & Imp Store, Shop, Gar	3,036	3.99%	121
16	304800	Struct & Imp Misc	(8,633)	3.99%	(344)
17	305000	Collect & Impounding	-	-	-
18	307000	Wells & Springs	1,519,916	2.48%	37,694
19	310100	Power Generation Equip Other	554,631	4.39%	24,348
20	311200	Pump Equip Electric	3,487,801	4.39%	153,114
21	311300	Pump Equip Diesel	190	4.39%	8
22	311500	Pump Equip Other	-	-	-
23	320100	WT Equip Non-Media	9,826,155	7.06%	693,727
24	309000	Supply Mains	14,058	2.00%	281
25	330000	Dist Reservoirs & Standpipe	2,115,946	3.15%	66,652
26	331001	TD Mains Not Classified by Size	2,395,291	0.00%	-
27	331100	TD Mains 4in & Less	114,959	4.17%	4,794
28	331200	TD Mains 6in to 8in	5,046,296	2.52%	127,167
29	331300	TD Mains 10in to 16in	9,132,418	2.34%	213,699
30	332000	Fire Mains	14,058	2.00%	281
31	333000	Services	2,724,758	4.72%	128,609
32	334100	Meters	350,870	2.51%	8,807
33	334200	Meter installations	148,304	1.51%	2,239
34	335000	Hydrants	1,054,322	2.10%	22,141
35	339100	Other P/E Intangible	-	-	-
36	339500	Other P/E TD	-	-	-
37	340100	Office Furniture & Equip	58,812	4.04%	2,376
38	340200	Comp & Periph Equip	38,292	10.00%	3,829
39	340300	Computer Software	14,711	25.00%	3,678
40	340500	Other Office Equipment	674	7.13%	48
41	341100	Trans Equip Lt Duty Trks	(0)	20.00%	(0)
42	341300	Trans Equip Autos	3,541	7.80%	276
43	341400	Trans Equip Other (golf carts only)	27,905	16.67%	4,652
44	343000	Tools,Shop,Garage Equip	111,116	3.61%	4,011
45	344000	Laboratory Equipment	17,620	10.00%	1,762
46	345000	Power Operated Equipment	96,131	4.64%	4,460
47	346100	Comm Equip Non-Telephone	386,889	9.76%	37,760
48	346300	Comm Equip Other	58,841	4.93%	2,901
49					
50					
51	300000	Property Held for Future Use	34,409	0.00%	-
52		AFUDC Debt	1,778	10.30%	183
53					
54	304620	Struct & Imp Leasehold	7,028	14.28%	1,004
55	331001	Mains	-	-	-
56	340100	Office Furniture & Equip	34,801	4.04%	1,406
57	340200	Comp & Periph Equip	14,155	10.00%	1,415
58	340300	Computer Software	55,697	25.00%	13,924
59	340300	Computer Software-Other	1,447	25.00%	362
60	343000	Tools,Shop,Garage Equip	1,190	3.61%	43
61	346100	Comm Equip Non-Telephone	5,757	9.76%	562
62	346300	Comm Equip Other	152	4.93%	7
63					
64		Post TY Plant	-	-	-
65		Redrilling Well #12 by Oct 2008	-	-	-
66	307000	Wells & Springs	1,257,750	0.00%	-
67	311200	Pump Equip Electric	677,250	4.39%	29,731
68					
69		Removal of Existing Well #12	-	-	-
70	307000	Wells & Springs	(109,294)	-	-
71	311200	Pump Equip Electric	(50,679)	4.39%	(2,225)
72					
73		Rehabilitate Well #17	-	-	-
74	304620	Struct & Imp Leasehold	650	-	-
75	304700	Struct & Imp Store, Shop, Gar	1,300	3.99%	52
76	307000	Wells & Springs	169,390	2.48%	4,201
77	309000	Supply Mains	8,450	2.00%	169
78	311200	Pump Equip Electric	83,200	4.39%	3,652
79	311500	Pump Equip Other	19,500	4.39%	856
80	334100	Meters	5,590	2.51%	140
81					
82		Removal of Existing Well #17	-	-	-
83	307000	Wells & Springs	(163,648)	0.00%	-
84	311300	Pump Equip Diesel	(191)	4.39%	(8)
85					
86		Total Net Post TY Additions	1,899,267		
87					
88					
89		Total Plant in Service	61,407,532	3.40%	2,089,618
90					
91					
92		Less Non Depreciable Plant			
93	301000	Organization	15,350	0.00%	-
94	339600	Miscellaneous Intangibles	10,520	0.00%	-
95	303500	Land & Land Rights TD	8,324	0.00%	-
96					
97		Net Depreciable Plant and Depreciation Amounts	\$ 61,373,338		\$ 2,089,618
98		Composite Depreciation Rate		3.40%	
99		Less			
100		Amortization of Regulatory CIAC at Settlement Rate			-
101		Amortization of CIAC at Composite Rate	\$ 13,111,926		\$ 446,430
102		Staff Recommended Depreciation Expense			\$ 1,643,187
103		Company Proposed Depreciation Expense			\$ 1,615,824
104		Staff Adjustment			\$ 27,364

References:	
Col A	Schedule GWB-4
Col B	Proposed Rates per Staff Engineering Report for Non Allocated Plant
Col C	Col [A] times Col [B]

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Surrebuttal Schedule GTM-14

OPERATING INCOME ADJUSTMENT #3 - CHEMICALS EXPENSE

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Chemicals	<u>\$ 236,982</u>	<u>\$ (51,945)</u>	<u>\$ 185,037</u>

References:

Column (A), Company Schedule C-1

Column (B): Testimony GTM

Column (C): Column (A) + Column (B)

OPERATING ADJUSTMENT #4 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 7,848,732	\$ 7,848,732
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	15,697,464	15,697,464
4	Staff Recommended Revenue	7,848,732	9,470,254
5	Subtotal (Line 4 + Line 5)	23,546,196	25,167,718
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	7,848,732	8,389,239
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	15,697,464	16,778,479
10	Plus: 10% of CWIP - 2005	13,454	13,454
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	15,710,918	16,791,933
13	Assessment Ratio	23.0%	23.0%
14	Assessment Value (Line 12 * Line 13)	3,613,511	3,862,145
15	Composite Property Tax Rate - Obtained from ADOR	7.40%	7.40%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 267,428	
17	Company Proposed Property Tax	\$ 268,996	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ (1,567)	
19	Property Tax on Staff Recommended Revenue (Line 14 * Line 15)		\$ 285,829
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 267,428
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 18,401
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 18,401
23	Increase in Revenue Requirement		\$ 1,621,522
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.13479%

REFERENCES:

0

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1, Line 24
Line 21: Line 19 - Line 20
Line 23: Schedule GWB-1, Line 8

ARIZONA-AMERICAN WATER COMPANY - PARADISE VALLEY WATER
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Surrebuttal Schedule GTM-16

OPERATING INCOME ADJUSTMENT #5 - INCOME TAXES

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Taxes	<u>\$ 228,400</u>	<u>\$ 164,437</u>	<u>\$ 392,836</u>

References:

Column (A), Company Schedule C-2

Column (B): Testimony GTM

Column (C): Column (A) + Column (B)

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER

Docket No. WS-01303A-08-0227

Test Year Ended December 31, 2007

SURREBUTTAL TESTIMONY OF GERALD BECKER

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GWB- 3	RATE BASE - ORIGINAL COST
GWB- 4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
GWB- 5	RATE BASE ADJUSTMENT #1- PLANT, ACCUMULATED DEPRECIATION & AIAC
GWB- 6	RATE BASE ADJUSTMENT #2 - WORKING CAPITAL
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ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Schedule GWB-1
SURREBUTTAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 37,901,086	\$ 37,901,086	\$ 37,239,151	\$ 37,239,151
2	Adjusted Operating Income (Loss)	\$ 587,425	\$ 587,425	\$ 635,956	\$ 635,956
3	Current Rate of Return (L2 / L1)	1.55%	1.55%	1.71%	1.71%
4	Required Rate of Return	8.40%	8.40%	7.34%	7.34%
5	Required Operating Income (L4 * L1)	\$ 3,183,691	\$ 3,183,691	\$ 2,733,354	\$ 2,733,354
6	Operating Income Deficiency (L5 - L2)	\$ 2,596,266	\$ 2,596,266	\$ 2,097,397	\$ 2,097,397
7	Gross Revenue Conversion Factor	1.6471	1.6471	1.6460	1.6460
8	Required Revenue Increase (L7 * L6)	\$ 4,276,301	\$ 4,276,301	\$ 3,452,273	\$ 3,452,273
9	Adjusted Test Year Revenue	\$ 5,701,431	\$ 5,701,431	\$ 5,701,431	\$ 5,701,431
10	Proposed Annual Revenue (L8 + L9)	\$ 9,977,732	\$ 9,977,732	\$ 9,153,704	\$ 9,153,704
11	Required Increase in Revenue (%)	75.00%	75.00%	60.55%	60.55%
12	Rate of Return on Common Equity (%)	11.75%	11.75%	10.00%	10.00%

References:

Column [A]: Company Schedule A-1
Column (B): Company Schedule A-1
Column (C): Staff Schedules GWB-2, GWB-3, and GWB-10

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
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24	Required Operating Income (Schedule GWB-1, Line 5)	\$	2,733,354	
25	Adjusted Test Year Operating Income (Loss) (Schedule GWB-10, Line 29)	\$	635,956	
26	Required Increase in Operating Income (L24 - L25)			\$ 2,097,397
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$	971,508	
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$	(346,989)	
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)			\$ 1,318,497
30	Recommended Revenue Requirement (Schedule GWB-1, Line 10)	\$	9,153,704	
31	Uncollectible Rate (Line 10)		0.0000%	
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$	-	
33	Adjusted Test Year Uncollectible Expense	\$	-	
34	Required Increase in Revenue to Provide for Uncollectible Exp.			\$ -
35	Property Tax with Recommended Revenue (GTM-15, 20)	\$	216,832	
36	Property Tax on Test Year Revenue (GTM-15, Col A, L16)	\$	180,453	
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)			\$ 36,379
38	Total Required Increase in Revenue (L26 + L29 + L37)			\$ 3,452,274

53	<u>Applicable Tax Rate</u>	34.0000%
54		
55		

<u>Calculation of Interest Synchronization:</u>		Sun City West
56	Rate Base (Schedule GWB-3, Col. (C), Line 18)	\$ 37,239,151
57	Weighted Average Cost of Debt	3.1900%
58	Synchronized Interest (L45 X L46)	\$ 1,187,929

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 48,893,385	\$ (15,408)	\$ 48,877,977
2	Less: Accumulated Depreciation	10,514,488	76,672	10,591,160
3	Net Plant in Service	<u>\$ 38,378,897</u>	<u>\$ (92,080)</u>	<u>\$ 38,286,817</u>
	<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 20,548	\$ 17,318	\$ 37,866
5	Less: Accumulated Amortization	1,057	-	1,057
6	Net CIAC	<u>19,491</u>	<u>17,318</u>	<u>36,809</u>
7	Advances in Aid of Construction (AIAC)	1,175,373		1,175,373
8	Imputed Reg AIAC	-	1,006,408	1,006,408
9	Imputed Reg CIAC	392,368	-	392,368
10	Deferred Income Tax Credits (Debits)	(1,326,577)	-	(1,326,577)
	Customer Meter Deposits	1,225		1,225
	<u>ADD:</u>			
11	Cash Working Capital	480,140	(438,413)	41,727
12	Prepayments	24,906	-	24,906
13	Supplies Inventory	56,510	-	56,510
	##			
14	Projected Capital Expenditures		-	-
15	Deferred Debits	(777,486)	892,284	114,798
16	Purchase Wastewater Treatment Charges	-	-	
17	Original Cost Rate Base	<u>\$ 37,901,086</u>	<u>\$ (661,935)</u>	<u>\$ 37,239,151</u>

References:

Column (A), Company Schedule B-2

Column (B): Schedule GWB-4

Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[E] ADJ #5	[F] ADJ #6	[G] ADJ #7	[H] ADJ #8	[I] STAFF ADJUSTED
PLANT IN SERVICE:												
1	301000	Organization	20,086									\$ 20,086
2	302000	Franchises	1,346									\$ 1,346
3	303200	Land & Land Rights SS	11,651									\$ 11,651
4	303300	Land & Land Rights P	44,957									\$ 44,957
5	303500	Land & Land Rights TD	-									\$ -
6	303600	Land & Land Rights AG	-									\$ -
7	304100	Struct & Imp SS	7,620,981									\$ 7,620,981
8	304200	Struct & Imp P	224,821									\$ 224,821
9	304300	Struct & Imp WT	90,867									\$ 90,867
10	304400	Struct & Imp TD	-									\$ -
11	304600	Struct & Imp Offices	16,828									\$ 16,828
12	304800	Struct & Imp Misc	-									\$ -
13	305000	Collect & Impounding	-									\$ -
14	307000	Wells & Springs	2,587,380									\$ 2,587,380
15	310100	Power Generation Equip Other	36,044									\$ 36,044
16	311200	Pump Equip Electric	5,105,926									\$ 5,105,926
17	311300	Pump Equip Diesel	4,505									\$ 4,505
18	311500	Pump Equip Other	169,696									\$ 169,696
19		WT Equip Media	-									\$ -
20	320100	WT Equip Non-Media	6,346,603						(92,080)			\$ 6,254,523
21	330000	Dist Reservoirs & Standpipe	760,063									\$ 760,063
22	331001	TD Mains Not Classified by Size	13,055,020									\$ 13,055,020
23	331100	TD Mains 4in & Less	616									\$ 616
24	331200	TD Mains 6in to 8in	409,389									\$ 409,389
25	331300	TD Mains 10in to 16in	252,698									\$ 252,698
26	332000	Fire Mains	169									\$ 169
27	333000	Services	7,342,742									\$ 7,342,742
28	334100	Meters	1,756,083									\$ 1,756,083
29	334200	Meter Installations	147,291									\$ 147,291
30	335000	Hydrants	1,835,680									\$ 1,835,680
31	339100	Other P/E Intangible	-									\$ -
32	339500	Other P/E SS	-									\$ -
33	340100	Office Furniture & Equip	20,787									\$ 20,787
34	340200	Comp & Periph Equip	46,715									\$ 46,715
35	341100	Trans Equip Lt Duty Trks	225,177									\$ 225,177
36	341200	Trans Equip Hvy Duty Trks	21,027									\$ 21,027
37	342000	Stores Equipment	142									\$ 142
38	343000	Tools, Shop, Garage Equip	19,641									\$ 19,641
39	344000	Laboratory Equipment	1,606									\$ 1,606
40	345000	Power Operated Equipment	161,885									\$ 161,885
41	346100	Comm Equip Non-Telephone	163,135									\$ 163,135
42	346300	Comm Equip Other	1,338									\$ 1,338
43			-									\$ -
44			-									\$ -
45	304620	Struct & Imp Leasehold	22,828									\$ 22,828
46	331001	Mains	-									\$ -
47	340100	Office Furniture & Equip	113,033									\$ 113,033
48	340200	Comp & Periph Equip	45,973									\$ 45,973
49	340300	Computer Software	180,903									\$ 180,903
50	340300	Computer Software-Other	4,699									\$ 4,699
51	343000	Tools, Shop, Garage Equip	3,864									\$ 3,864
52	346100	Comm Equip Non-Telephone	18,698									\$ 18,698
53	346300	Comm Equip Other	493									\$ 493
54			-									\$ -
55	Total Plant in Service		48,893,385	76,672	-	-	-	-	(92,080)	-	-	48,877,977
56			48,970,057									
57	Accumulated Depreciation		10,514,488	76,672	-	-	-	-	-	-	-	10,591,160
58	Net Plant in Service (L58 - L 59)		\$ 38,378,897	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (92,080)	\$ -	\$ -	\$ 38,286,817
59												
60	LESS:											
61	Contributions in Aid of Construction (CIAC)		\$ 20,548		\$ -	\$ -	\$ -	\$ 17,318	\$ -	\$ -	\$ -	\$ 37,866
62	Less: Accumulated Amortization		1,057		-	-	-	-	-	-	-	1,057
63	Net CIAC (L63 - L64)		19,491		-	-	-	17,318	-	-	-	36,809
64	Advances in Aid of Construction (AIAC)		1,175,373		-	-	-	-	-	-	-	1,175,373
65	Imputed Reg Advances		-		-	1,006,408	-	-	-	-	-	1,006,408
66	Imputed Reg AIAC		392,368		-	-	-	-	-	-	-	392,368
67	Deferred Income Tax Credits (Debits)		(1,326,577)		-	-	-	-	-	-	-	(1,326,577)
68	Customer Meter Deposits		1,225		-	-	-	-	-	-	-	1,225
69	ADD:											
70	Working Capital Allowance		480,140		(438,413)	-	-	-	-	-	-	41,727
71	Pumping Power		-		-	-	-	-	-	-	-	-
72	Purchase Wastewater Treatment Charges		-		-	-	-	-	-	-	-	-
73	Material and Supplies Inventory		56,510		-	-	-	-	-	-	-	56,510
74	Prepayments		24,906		-	-	-	-	-	-	-	24,906
75	Projected Capital Expenditures		-		-	-	-	-	-	-	-	-
76	Deferred Debits		(777,486)		-	-	892,284	-	-	-	-	114,798
77	Original Cost Rate Base		\$ 37,901,086	\$ -	\$ (438,413)	\$ -	\$ 892,284	\$ (17,318)	\$ (92,080)	\$ -	\$ -	\$ 37,239,151

ADJ #	References:
1	Plant, Accumulated Depreciation and AIA Schedule GWB-5
2	Working Capital Schedule GWB-6
3	Imputed Reg AIAC Schedule GWB-7
4	Deferred Debits Schedule GWB-8
5	CIAC/AIAC in CWIP Schedule GWB-9
6	Overcapacity of Arsenic Treatment Plant Schedule GWB-9A

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
Docket No. WS-01303A-08-0227
Test Year Ended December 31, 2007

Schedule GWB-5
SURREBUTTAL

RATE BASE ADJUSTMENT #1 - PLANT, ACCUMULATED DEPRECIATION, AND AIAC

LINE NO.	ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	330.00	Dist Reservoirs & Standpipe Plant	-	76,672	76,672
		Dist Reservoirs & Standpipe Acc.Depreciation	-	76,672	76,672

References:

Column [A]: Amounts included in plant balances per filing.

Column (B): Per Testimony GWB

Column (C): Column [A] less Column [B]

RATE BASE ADJUSTMENT #2 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 703,217	\$ -	703,217	12.00	\$ 8,438,609
2	Purchased Water	\$ (2,690)	-	(2,690)	86.87	\$ (233,682)
3	Fuel & Power	\$ 830,074	-	830,074	32.42	\$ 26,910,992
4	Chemicals	\$ 227,889		227,889	28.47	\$ 6,488,013
5	Waste Disposal	\$ 4,391		4,391	30.00	\$ 131,730
6	Management Fees	\$ 999,903		999,903	(3.88)	\$ (3,879,624)
7	Group Insurance	\$ 191,120		191,120	(4.64)	\$ (886,797)
8	Pensions	\$ 137,699		137,699	45.00	\$ 6,196,439
9	Regulatory Expense	\$ 33,802		33,802	30.00	\$ 1,014,060 *
10	Insurance Other Than Group	\$ 58,622		58,622	45.00	\$ 2,637,990
11	Customer Accounting	\$ 133,476		133,476	7.46	\$ 995,731
12	Rents	\$ 14,331		14,331	(10.68)	\$ (153,055)
13	General Office Expense	\$ 57,226		57,226	30.00	\$ 1,716,780 *
14	Miscellaneous	\$ 232,408		232,408	30.00	\$ 6,972,229 *
15	Maintenance Expense	\$ 247,328		65,577	30.00	\$ 1,967,310 *
16	Taxes Other Than Income-Property Taxes	\$ 179,896		180,453	212.50	\$ 38,346,249
17	Taxes Other Than Income-Other	\$ 65,832		65,832	15.65	\$ 1,030,267
18	Income Taxes	\$ (324,059)	(22,930)	(346,989)	42.04	\$ (14,587,427)
19	Interest		1,187,929	1,187,929	106.52	\$ 126,538,187
20	Total Operating Expenses	3,790,465	1,184,999	4,774,269	764.73	209,644,001
21						
22						
23	Expense Lag	Line 21, Col. (E) / Col [C]	43.91			
24	Revenue Lag	Company Workpapers	47.10			
25	Net Lag	Line 24 - 23	3.19			
26	Staff Adjusted Expenses	Line 20, Col 35	4,774,269			
27	Cash Working Capital	Line 25 * Line 26/365 day	41,727			
28	Company As Filed	Co Schedule B-5	480,140			
29	Staff Adjustment	To GWB-4	(438,413)			
30						
31	References:					
32	Column [A]:	Company Schedule C-1				
33	Column [B]:	Staff adjustments to expenses, See Testimony GWB				
34	Column [C]:	Column [A] + Column [B]				
35	Column [D]:	Expense Lags Used on Docket WS-01303A-06-0403, approved in Decision No. 70372				
36	Column [E]:	Column [C] * Column [D]				

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Schedule GWB- 7
SURREBUTTAL

RATE BASE ADJUSTMENT #3 - IMPUTED REGULATORY AIAC

LINE NO.	DESCRIPTION	[A] YEAR OF ADVANCE	[B] ADVANCE AMOUNT	[C] CIAC AMORTIZED	(D) CIAC REMAING BALANCE
1	Beginning Balance Per Decision No. 67093	2001	\$ 12,151,160		\$ 12,151,160
2	None	2002	-	1,797,706	10,353,454
3	None	2003	-	1,869,409	8,484,045
4	None	2004	-	1,869,409	6,614,636
5		2005		1,869,409	4,745,226
6		2006		1,869,409	2,875,817
7	None	2007	-	1,869,409	1,006,408
8	Per Staff		<u>\$ 12,151,160</u>	<u>\$ 11,144,752</u>	\$ 1,006,408
9	Company Proposed Imputed Reg. AIAC				-
10	Staff Adjustment			\$ -	<u>\$ 1,006,408</u>

REFERENCES:

Columns [A]: Fiscal Years

Column [B]: Beginning Balance per Decision No. 67093

Column [C]: Annual Amortization of Col [B] using 6.5 year recovery period per Decision No. 67093

Column [D]: CIAC per Decision No. 67093, less amortization.

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Schedule GWB - 8
SURREBUTTAL

RATE BASE ADJUSTMENT #4 - DEFERRED DEBITS

LINE NO.	DESCRIPTION		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	At December 31, 2007	2007	(777,486)	892,284	114,798
6			<u>\$ (777,486)</u>	<u>\$ 892,284</u>	<u>\$ (1,669,770)</u>

REFERENCES:

Columns [A]: Company schedules

Column [B]: Column [C] less Column [A]

Column [C]: See testimony GWB

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Schedule GWB - 9
SURREBUTTAL

RATE BASE ADJUSTMENT #5 - CIAC ON CWIP

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
CIAC		19,491	\$ 17,318	\$ 36,809

References:
Column [A]: Amounts included Per filing.

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Schedule GWB - 9A
SURREBUTTAL

RATE BASE ADJUSTMENT #7 - OVERCAPACITY OF ARESENIC TREATMENT PLANT

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
32010	WT Equip Non-Media	760,063	\$ (92,080)	\$ 667,983

References:

Column [A]: Amounts included in plant balances per filing.

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1						
2	Water Revenues	\$ 5,661,030	\$ -	\$ 5,661,030	\$ 3,452,273	\$ 9,113,303
3	Other Revenues	40,401	-	40,401	-	40,401
4	Other	-	-	-	-	-
5	Total Operating Revenues	\$ 5,701,431	\$ -	\$ 5,701,431	\$ 3,452,273	\$ 9,153,704
6	Operating Expenses					
7	Labor	\$ 703,217	\$ -	703,217	\$ -	\$ 703,217
8	Purchased Water	\$ (2,690)	-	(2,690)	-	(2,690)
9	Fuel & Power	\$ 830,074	-	830,074	-	830,074
10	Chemicals	\$ 227,889	-	227,889	-	227,889
11	Waste Disposal	\$ 4,391	-	4,391	-	4,391
12	Management Fees	\$ 999,903	-	999,903	-	999,903
13	Group Insurance	\$ 191,120	-	191,120	-	191,120
14	Pensions	\$ 137,699	-	137,699	-	137,699
15	Regulatory Expense	\$ 33,802	-	33,802	-	33,802
16	Insurance Other Than Group	\$ 58,622	-	58,622	-	58,622
17	Customer Accounting	\$ 133,476	-	133,476	-	133,476
18	Rents	\$ 14,331	-	14,331	-	14,331
19	General Office Expense	\$ 57,226	-	57,226	-	57,226
20	Miscellaneous	\$ 232,408	-	232,408	-	232,408
21	Maintenance Expense	\$ 247,328	(181,751)	65,577	-	65,577
22	Depreciation & Amortization	\$ 1,323,541	155,593	1,479,134	-	1,479,134
23	General Taxes-Property Taxes	\$ 179,896	557	180,453	36,379	216,832
24	General Taxes-Other	\$ 65,832	-	65,832	-	65,832
25	Income Taxes	\$ (324,059)	(22,930)	(346,989)	1,318,497	971,508
26						
27						
28	Total Operating Expenses	5,114,006	(48,531)	5,065,475	1,354,876	6,420,351
29	Operating Income (Loss)	\$ 587,425	\$ 48,531	\$ 635,956	\$ 2,097,397	\$ 2,733,353

References:

Column (A): Company Schedule C-1
Column (B): Schedule GTM 11
Column (C): Column (A) + Column (B)
Column (D): Schedules GWB 2, Lines 29 and 37
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Tank Maint. ADJ #1	[C] Depreciation Exp. ADJ #2	[D] Property Taxes ADJ #3	[E] Income Taxes ADJ #4	[G] STAFF ADJUSTED
1							
2	Water Revenues	\$ 5,661,030	\$ -	\$ -	\$ -	\$ -	\$ 5,661,030
3	Other Revenues	40,401	-	-	-	-	\$ 40,401
4	Other	-	-	-	-	-	\$ -
5	Total Operating Revenues	<u>\$ 5,701,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,701,431</u>
6							
7	Labor	\$ 703,217	\$ -	\$ -	\$ -	\$ -	703,217
8	Purchased Water	(2,690)	-	-	-	-	(2,690)
9	Fuel & Power	830,074	-	-	-	-	830,074
10	Chemicals	227,889	-	-	-	-	227,889
11	Waste Disposal	4,391	-	-	-	-	4,391
12	Management Fees	999,903	-	-	-	-	999,903
13	Group Insurance	191,120	-	-	-	-	191,120
14	Pensions	137,699	-	-	-	-	137,699
15	Regulatory Expense	33,802	-	-	-	-	33,802
16	Insurance Other Than Group	58,622	-	-	-	-	58,622
17	Customer Accounting	133,476	-	-	-	-	133,476
18	Rents	14,331	-	-	-	-	14,331
19	General Office Expense	57,226	-	-	-	-	57,226
20	Miscellaneous	232,408	-	-	-	-	232,408
21	Maintenance Expense	247,328	(181,751)	-	-	-	65,577
22	Depreciation & Amortization	1,323,541	-	155,593	-	-	1,479,134
23	General Taxes-Property Taxes	179,896	-	-	557	-	180,453
24	General Taxes-Other	65,832	-	-	-	-	65,832
25	Income Taxes	(324,059)	-	-	-	(22,930)	(346,989)
26							-
27							-
28							-
29							-
30							
31							
32							
33							
34							
35							
36							
38							
39							
40							
41							
42	Total Operating Expenses	<u>\$ 5,114,006</u>	<u>\$ (181,751)</u>	<u>\$ 155,593</u>	<u>\$ 557</u>	<u>\$ (22,930)</u>	<u>\$ 5,065,475</u>
43	Operating Income (Loss)	<u>\$ 587,425</u>	<u>\$ 181,751</u>	<u>\$ (155,593)</u>	<u>\$ (557)</u>	<u>\$ 22,930</u>	<u>\$ 635,956</u>

ADJ #	References:
1	Management Fees GTM 12
2	Depreciation Expense GTM 13
3	Property Taxes GTM 14
4	Income Taxes GTM 2

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Surrebuttal Schedule GTM-12

OPERATING INCOME ADJUSTMENT #1 - MAINTENANCE ACCRUAL

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Maintenance Expense	<u>\$ 247,328</u>	<u>\$ (181,751)</u>	<u>\$ 65,577</u>

Repair and Maintenance Expenses

Calendar year 2005	37,609
Calendar year 2006	48,820
Calendar year 2007	<u>110,302</u>
Total for three year period	<u>196,731</u>

OPERATING ADJUSTMENT #2- DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	DESCRIPTION	[A] PLANT BALANCE	[B] DEPRECIATION RATE	[C] DEPRECIATION EXPENSE
1		<u>PLANT IN SERVICE:</u>			
2	301000	Organization	20,086	0.00%	-
3	302000	Franchises	1,346	0.00%	-
4	303200	Land & Land Rights SS	11,651	0.00%	-
5	303300	Land & Land Rights P	44,957	0.00%	-
6	303500	Land & Land Rights TD	-	0.00%	-
7	303600	Land & Land Rights AG	-	0.00%	-
8	304100	Struct & Imp SS	7,620,981	2.50%	190,525
9	304200	Struct & Imp P	224,821	1.67%	3,755
10	304300	Struct & Imp WT	90,867	1.67%	1,517
11	304400	Struct & Imp TD	-	2.00%	-
12	304600	Struct & Imp Offices	16,828	4.63%	779
13	304800	Struct & Imp Misc	-	0.00%	-
14	305000	Collect & Impounding	-	0.00%	-
15	307000	Wells & Springs	2,587,380	2.52%	65,202
16	310100	Power Generation Equip Other	36,044	4.42%	1,593
17	311200	Pump Equip Electric	5,105,926	4.42%	225,682
18	311300	Pump Equip Diesel	4,505	5.00%	225
19	311500	Pump Equip Other	169,696	5.01%	8,502
	0	WT Equip Media	-	5.00%	-
20	320100	WT Equip Non-Media	6,346,603	7.06%	448,070
21	330000	Dist Reservoirs & Standpipe	836,735	1.67%	13,973
22	331001	TD Mains Not Classified by Size	13,055,020	1.53%	199,742
23	331100	TD Mains 4in & Less	616	1.53%	9
24	331200	TD Mains 6in to 8in	409,389	1.53%	6,264
25	331300	TD Mains 10in to 16in	252,698	1.53%	3,866
26	332000	Fire Mains	169	1.53%	3
27	333000	Services	7,342,742	2.48%	182,100
28	334100	Meters	1,756,083	2.51%	44,078
29	334200	Meter Installations	147,291	2.51%	3,697
30	335000	Hydrants	1,835,680	2.00%	36,714
31	339100	Othber P/E Intangible	-	0.00%	-
32	339500	Other P/E SS	-	2.00%	-
33	340100	Office Furniture & Equip	20,787	4.59%	954
34	340200	Comp & Periph Equip	46,715	10.00%	4,672
35	341100	Trans Equip Lt Duty Trks	225,177	20.00%	45,035
36	341200	Trans Equip Hvy Duty Trks	21,027	15.00%	3,154
37	342000	Stores Equipment	142	3.91%	6
38	343000	Tools,Shop,Garage Equip	19,641	4.02%	790
39	344000	Laboratory Equipment	1,606	3.71%	60
40	345000	Power Operated Equipment	161,885	5.02%	8,127
41	346100	Comm Equip Non-Telephone	163,135	10.30%	16,803
42	346300	Comm Equip Other	1,338	4.93%	66
43					
44					
45	304620	Struct & Imp Leasehold	22,828	14.28%	3,260
46	331001	Mains	-	1.53%	-
47	340100	Office Furniture & Equip	113,033	4.59%	5,188
48	340200	Comp & Periph Equip	45,973	10.00%	4,597
49	340300	Computer Software	180,903	25.00%	45,226
50	340300	Computer Software-Other	4,699	25.00%	1,175
51	343000	Tools,Shop,Garage Equip	3,864	4.02%	155
52	346100	Comm Equip Non-Telephone	18,698	10.30%	1,926
53	346300	Comm Equip Other	493	4.93%	24
54		Total Plant in Service	48,970,057	3.22%	1,577,512
55					
56					
57		Less Non Depreciable Plant			
58	301000	Organization	20,086	0.00%	-
59	302000	Franchises	1,346	0.00%	-
60	303200	Land & Land Rights SS	11,651	0.00%	-
61	303300	Land & Land Rights P	44,957	0.00%	-
62	304620	Struct & Imp Leasehold	22,828	14.28%	3,260
63		Net Depreciable Plant and Depreciation Amounts	\$ 48,869,189		\$ 1,574,252
64		Composite Depreciation Rate		3.22%	
65		Less			
66		Amortization of Regulatory CIAC at Settlement Rate			97,158
67		Amortization of CIAC at Composite Rate	\$ 37,866		\$ 1,220
68		Staff Recommended Depreciation Expense			\$ 1,479,134
69		Company Proposed Depreciation Expense			1,323,541
70		Staff Adjustment			\$ 155,593

	<u>References:</u>
Col A	Schedule GWB-4
Col B	Proposed Rates per Staff Engineering Report for Non Allocated Plant
Col C	Col [A] times Col [B]

OPERATING ADJUSTMENT #3 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 5,701,431	\$ 5,701,431
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	11,402,862	11,402,862
4	Staff Recommended Revenue	5,701,431	9,153,704
5	Subtotal (Line 4 + Line 5)	17,104,293	20,556,566
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	5,701,431	6,852,189
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	11,402,862	13,704,378
10	Plus: 10% of CWIP - 2005	13,454	13,454
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	11,416,316	13,717,832
13	Assessment Ratio	0.23	0.230
14	Assessment Value (Line 12 * Line 13)	2,625,753	3,155,101
15	Composite Property Tax Rate - Obtained from ADOR	6.87%	6.87%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 180,453	
17	Company Proposed Property Tax	\$ 179,896	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ 557	
19	Property Tax on Staff Recommended Revenue (Line 14 * Line 15)		\$ 216,832
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 180,453
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 36,379
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 36,379
23	Increase in Revenue Requirement		\$ 3,452,273
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.05377%

REFERENCES:

0

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1, Line 24
Line 21: Line 19 - Line 20
Line 23: Schedule GWB-1, Line 8

ARIZONA-AMERICAN WATER COMPANY - SUN CITY WEST WATER
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Surrebuttal Schedule GTM-15

OPERATING INCOME ADJUSTMENT #4 - INCOME TAXES

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Taxes	<u>\$ (324,059)</u>	<u>\$ (22,930)</u>	<u>\$ (346,989)</u>

References:

Column (A), Company Schedule C-2
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

ARIZONA-AMERICAN WATER COMPANY - TUBAC WATER

Docket No. WS-01303A-08-0227

Test Year Ended December 31, 2007

SURREBUTTAL TESTIMONY OF GERALD BECKER

TABLE OF CONTENTS TO SCHEDULES :

<u>SCH #</u>	<u>TITLE</u>
GWB- 1	REVENUE REQUIREMENT
GWB- 2	GROSS REVENUE CONVERSION FACTOR
GWB- 3	RATE BASE - ORIGINAL COST
GWB- 4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
GWB- 5	RATE BASE ADJUSTMENT #1 - WORKING CAPITAL
GWB- 6	RATE BASE ADJUSTMENT #2 - IMPUTED REGULATORY AIAC
GWB- 7	RATE BASE ADJUSTMENT #3 - DEFERRED DEBITS
GWB- 8	RATE BASE ADJUSTMENT #4 - AIAC IN CWIP
GWB- 9	NOT USED
GWB- 10	OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED
GTM- 11	SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR
GTM- 12	OPERATING INCOME ADJUSTMENT #1 - DEPRECIATION EXPENSE
GTM- 13	OPERATING INCOME ADJUSTMENT #2 - PROPERTY TAX EXPENSE
GTM- 14	OPERATING INCOME ADJUSTMENT # - INCOME TAX EXPENSE

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 1,527,454	\$ 1,527,454	\$ 1,428,225	\$ 1,428,225
2	Adjusted Operating Income (Loss)	\$ (38,553)	\$ (38,553)	\$ (47,649)	\$ (47,649)
3	Current Rate of Return (L2 / L1)	-2.52%	-2.52%	-3.34%	-3.34%
4	Required Rate of Return	8.40%	8.40%	7.34%	7.34%
5	Required Operating Income (L4 * L1)	\$ 128,306	\$ 128,306	\$ 104,832	\$ 104,832
6	Operating Income Deficiency (L5 - L2)	\$ 166,859	\$ 166,859	\$ 152,480	\$ 152,480
7	Gross Revenue Conversion Factor	1.6674	1.6674	1.4214	1.4214
8	Required Revenue Increase (L7 * L6)	\$ 278,209	\$ 278,209	\$ 216,734	\$ 216,734
9	Adjusted Test Year Revenue	\$ 426,900	\$ 426,900	\$ 426,900	\$ 426,900
10	Proposed Annual Revenue (L8 + L9)	\$ 705,109	\$ 705,109	\$ 643,634	\$ 643,634
11	Required Increase in Revenue (%)	65.17%	65.17%	50.77%	50.77%
12	Rate of Return on Common Equity (%)	11.75%	11.75%	10.00%	10.00%

References:

Column [A]: Company Schedule A-1

Column (B): Company Schedule A-1

Column (C): Staff Schedules GWB-2, GWB-3, and GWB-10

LINE NO.

DESCRIPTION

(A)

(B)

(C)

(D)

(E)

(F)

Calculation of Gross Revenue Conversion Factor:

1Revenue100.0000%

2Uncollectible Factor (Line 11)0.0000%

3Revenues (L1 - L2)100.0000%

4Combined Federal and State Income Tax and Property Tax Rate (Line 23)29.6462%

5Subtotal (L3 - L4)70.3538%

6Revenue Conversion Factor (L1 / L5)1.421388

Calculation of Uncollectible Factor:

7Unity100.0000%

8Combined Federal and State Tax Rate (Line 17)28.2485%

9One Minus Combined income Tax Rate (L7 - L8)71.7515%

10Uncollectible Rate0.0000%

11Uncollectible Factor (L9 * L10)0.0000%

Calculation of Effective Tax Rate:

12Operating Income Before Taxes (Arizona Taxable Income)100.0000%

13Arizona State Income Tax Rate6.9680%

14Federal Taxable Income (L12 - L13)93.0320%

15Applicable Federal Income Tax Rate (Line 44)22.8744%

16Effective Federal Income Tax Rate (L14 x L15)21.2805%

17Combined Federal and State Income Tax Rate (L13 +L16)28.2485%0.019480227

Calculation of Effective Property Tax Factor

18Unity100.0000%

19Combined Federal and State Income Tax Rate (L17)28.2485%

20One Minus Combined Income Tax Rate (L18-L19)71.7515%

21Property Tax Factor (GTM-14, L24)1.9480%

22Effective Property Tax Factor (L20*L21)1.3977%

23Combined Federal and State Income Tax and Property Tax Rate (L17+L22)29.6462%

24Required Operating Income (Schedule GWP-1, Line 5)\$104,832

25Adjusted Test Year Operating Income (Loss) (Schedule GWP-10, Line 29)\$ (47,649)

26Required Increase in Operating Income (L24 - L25)\$152,480

27Income Taxes on Recommended Revenue (Col. (F), L52)\$18,504

28Income Taxes on Test Year Revenue (Col. (C), L52)\$ (41,522)

29Required Increase in Revenue to Provide for Income Taxes (L27 - L28)\$60,026

30Recommended Revenue Requirement (Schedule GWP-1, Line 10)\$643,634

31Uncollectible Rate (Line 10)0.0000%

32Uncollectible Expense on Recommended Revenue (L24 * L25)\$-

33Adjusted Test Year Uncollectible Expense\$-

34Required Increase in Revenue to Provide for Uncollectible Exp.\$-

35Property Tax with Recommended Revenue (GTM-15, 20)\$29,563

36Property Tax on Test Year Revenue (GTM-15, Col A, L16)\$25,341

37Increase in Property Tax Due to Increase in Revenue (L35-L36)\$4,222

38Total Required Increase in Revenue (L26 + L29 + L37)\$216,728

Calculation of Income Tax:

39Revenue (Sch GWP-1, Col. (C) L9 & 10)\$426,900

40Operating Expenses Excluding Income Taxes\$516,070

41Synchronized Interest (L56)\$45,560

42Arizona Taxable Income (L39 - L40 - L41)\$ (134,731)

43Arizona State Income Tax Rate6.9680%6.9680%6.9680%

44Arizona Income Tax (L42 x L43)\$ (9,388)

45Federal Taxable Income (L43 - L44)\$ (125,343)

46Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%\$ (7,500)

47Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%\$ (6,250)

48Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%\$ (8,500)

49Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%\$ (9,884)

50Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%\$-

51Total Federal Income Tax\$ (32,134)

52Combined Federal and State Income Tax (L44 + L51)\$ (41,522)

53Effective Tax Rate

54

55

Calculation of Interest Synchronization:

56Rate Base (Schedule GWP-3, Col. (C), Line 18)\$1,428,225

57Weighted Average Cost of Debt3.1900%

58Synchronized Interest (L45 X L46)\$45,560

Calculation of Rate Base Percentages

59(Col. (B), L 57)\$0.00%

60(Col. (C), L57)\$1,428,225100.00%

61Totals\$1,428,225100.00%

(A)(B)(C)

Tubac

Test Year

Tubac

Tubac Only

\$426,900

\$516,070

\$45,560

\$-

\$-

\$ (134,731)

6.9680%

6.9680%

6.9680%

\$ (9,388)

\$ (125,343)

\$ (7,500)

\$-

\$-

\$ (6,250)

\$-

\$-

\$ (8,500)

\$-

\$-

\$ (9,884)

\$-

\$-

\$-

\$-

\$-

\$ (32,134)

\$-

\$-

\$ (41,522)

(D)(E)(F)

Tubac

Staff Recommended

Tubac

Tubac Only

\$643,634

\$520,293

\$45,560

\$77,760

\$-

\$77,760

6.9680%

6.9680%

\$5,418

\$72,342

\$7,500

\$5,585

\$-

\$5,585

\$-

\$-

\$-

\$-

\$-

\$-

\$13,085

\$-

\$13,085

\$18,504

\$-

\$18,504

22.8744%

22.8744%

Tubac

Tubac

Tubac

\$1,428,225

3.1900%

\$45,560

Rate Base

Percent

\$0.00%

\$1,428,225100.00%

\$1,428,225100.00%

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 3,423,384	\$ 3,423,384
2	Less: Accumulated Depreciation	939,364	939,364
3	Net Plant in Service	<u>\$ 2,484,020</u>	<u>\$ 2,484,020</u>
<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ 195	\$ 195
5	Less: Accumulated Amortization	17	17
6	Net CIAC	<u>178</u>	<u>178</u>
7	Advances in Aid of Construction (AIAC)	1,042,125	1,062,391
8	Imputed Reg AIAC	-	14,087
9	Imputed Reg CIAC	58,023	58,023
10	Deferred Income Tax Credits (Debits)	(46,088)	(46,088)
	Customer Meter Deposits	540	540
<u>ADD:</u>			
11	Cash Working Capital	40,665	26,911
12	Prepayments	1,598	1,598
13	Supplies Inventory	1,445	1,445
14	Projected Capital Expenditures	-	-
15	Deferred Debits	54,503	3,381
16	Purchase Wastewater Treatment Charges	-	-
17	Original Cost Rate Base	<u>\$ 1,527,454</u>	<u>\$ 1,428,225</u>

References:

Column (A), Company Schedule B-2
Column (B): Schedule GWB-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>								
1	301000	Organization	567					\$ 567
2	302000	Franchises	2,030					\$ 2,030
3	303200	Land & Land Rights SS	20,414					\$ 20,414
4	303300	Land & Land Rights P	50					\$ 50
5	303400	Land & Land Rights WT	50					\$ 50
	303500	Land & Land Rights TD	422					\$ 422
6	303600	Land & Land Rights AG	2,755					\$ 2,755
7	304100	Struct & Imp SS	25,292					\$ 25,292
8	304200	Struct & Imp P	14,608					\$ 14,608
9	304300	Struct & Imp WT	-					\$ -
10	304400	Struct & Imp TD	156					\$ 156
	304600	Struct & Imp Offices	498					\$ 498
11	304800	Struct & Imp Misc	-					\$ -
12	305000	Collect & Impounding	-					\$ -
	307000	Wells & Springs	238,951					\$ 238,951
13	310100	Power Generation Equip Other	4,832					\$ 4,832
14	311200	Pump Equip Electric	281,109					\$ 281,109
15	311300	Pump Equip Diesel	879					\$ 879
16	311500	Pump Equip Other	403,824					\$ 403,824
17	320100	WT Equip Non-Media	55,863					\$ 55,863
18	330000	Dist Reservoirs & Standpipe	151,203					\$ 151,203
19	331001	TD Mains Not Classified by Size	301,123					\$ 301,123
20	331100	TD Mains 4in & Less	874,455					\$ 874,455
21	331200	TD Mains 6in to 8in	390,385					\$ 390,385
22	331300	TD Mains 10in to 16in	-					\$ -
23	333000	Services	401,618					\$ 401,618
24	334100	Meters	99,052					\$ 99,052
25	334200	Meter Installations	20,327					\$ 20,327
26	335000	Hydrants	78,367					\$ 78,367
27	339100	Othber P/E Intangible	-					\$ -
28	339500	Other P/E TD	-					\$ -
29	340100	Office Furniture & Equip	5,453					\$ 5,453
30	340200	Comp & Periph Equip	1,336					\$ 1,336
31	341100	Trans Equip Lt Duty Trks	17,166					\$ 17,166
32	341200	Trans Equip Hvy Duty Trks	-					\$ -
33	342000	Stores Equipment	0					\$ 0
34	343000	Tools,Shop,Garage Equip	14,442					\$ 14,442
35	344000	Laboratory Equipment	-					\$ -
36	345000	Power Operated Equipment	-					\$ -
37	346100	Comm Equip Non-Telephone	1,932					\$ 1,932
38	346300	Comm Equip Other	659					\$ 659
39			-					\$ -
40	<u>CORPORATE ALLOCATION</u>							
41	304620	Struct & Imp Leasehold	793					\$ 793
42	331001	Mains	-					\$ -
43	340100	Office Furniture & Equip	3,927					\$ 3,927
44	340200	Comp & Periph Equip	1,597					\$ 1,597
45	340300	Computer Software	6,285					\$ 6,285
46	340300	Computer Software-Other	163					\$ 163
47	343000	Tools,Shop,Garage Equip	134					\$ 134
48	346100	Comm Equip Non-Telephone	650					\$ 650
49	346300	Comm Equip Other	17					\$ 17
50	0		-					\$ -
51	Total Plant in Service		3,423,384	-	-	-	-	3,423,384
			13,567					939,364
1	Accumulated Depreciation		939,364					\$ 2,484,021
2	Net Plant in Service (L58 - L 59)		\$ 2,484,021	\$ -	\$ -	\$ -	\$ -	\$ 2,484,021
3								
4	<u>LESS:</u>							
5	Contributions in Aid of Construction (CIAC)		\$ 195		\$ -	\$ -	\$ -	\$ 195
6	Less: Accumulated Amortization		17	-	-	-	-	17
7	Net CIAC (L63 - L64)		178	-	-	-	-	178
8	Advances in Aid of Construction (AIAC)		1,042,125	-	-	-	20,266	1,062,391
9	Imputed Reg Advances		-	-	14,087	-	-	14,087
10	Imputed Reg CIAC		58,023	-	-	-	-	58,023
11	Deferred Income Tax Credits (Debits)		(46,088)	-	-	-	-	(46,088)
12	Meter Deposits		540	-	-	-	-	540
13	<u>ADD:</u>							
14	Working Capital Allowance		40,665	(13,754)	-	-	-	26,911
15	Pumping Power		-	-	-	-	-	-
16	Purchase Wastewater Treatment Charges		-	-	-	-	-	-
17	Material and Supplies Inventory		1,445	-	-	-	-	1,445
18	Prepayments		1,598	-	-	-	-	1,598
19	Projected Capital Expenditures		-	-	-	-	-	-
20	Deferred Debits		54,503	-	-	(51,122)	-	3,381
21	Original Cost Rate Base		\$ 1,527,455	\$ (13,754)	\$ (14,087)	\$ (51,122)	\$ (20,266)	\$ 1,428,226

ADJ #	References:
1	Working Capital
2	Imputed Reg AIAC
3	Deferred Debits
4	CIAC/AIAC inn CWIP
	Schedule GWB-5
	Schedule GWB-6
	Schedule GWB-7
	Schedule GWB-8

RATE BASE ADJUSTMENT #1 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] LEAD/LAG DAYS	[E] DOLLAR DAYS
1	Labor	\$ 131,623	\$ -	131,623	12.00	\$ 1,579,471
2	Purchased Water	\$ -	-	-	86.87	\$ -
3	Fuel & Power	\$ 25,631	-	25,631	32.42	\$ 830,957
4	Chemicals	\$ 2,190	-	2,190	28.47	\$ 62,357
5	Waste Disposal	\$ (27)	-	(27)	30.00	\$ (810)
6	Management Fees	\$ 87,180	-	87,180	(3.88)	\$ (338,258)
7	Group Insurance	\$ 24,921	-	24,921	(4.64)	\$ (115,635)
8	Pensions	\$ 28,546	-	28,546	45.00	\$ 1,284,592
9	Regulatory Expense	\$ 1,480	-	1,480	30.00	\$ 44,400 *
10	Insurance Other Than Group	\$ 5,049	-	5,049	45.00	\$ 227,205
11	Customer Accounting	\$ 11,644	-	11,644	7.46	\$ 86,864
12	Rents	\$ 4,146	-	4,146	(10.68)	\$ (44,279)
13	General Office Expense	\$ 8,811	-	8,811	30.00	\$ 264,330 *
14	Miscellaneous	\$ 49,935	-	49,935	30.00	\$ 1,498,059 *
15	Maintenance Expense	\$ 17,394	-	17,394	30.00	\$ 521,820 *
16	Taxes Other Than Income-Property Taxes	\$ 26,350	(1,008)	25,341	212.50	\$ 5,385,060
17	Taxes Other Than Income-Other	\$ 11,078	-	11,078	15.65	\$ 173,370
18	Income Taxes	\$ (52,178)	10,656	(41,522)	42.04	\$ (1,745,572)
19	Interest	-	-	-	106.52	\$ -
20	Total Operating Expenses	383,774	9,648	393,422	764.73	9,713,931
21						
22						
23	Expense Lag	Line 21, Col. (E) / Col [C]	24.69			
24	Revenue Lag	Company Workpapers	49.66			
25	Net Lag	Line 24 - 23	24.97			
26	Staff Adjusted Expenses	Line 20, Col 35	393,422			
27	Cash Working Capital	Line 25 * Line 26/365 day	26,911			
28	Company As Filed	Co Schedule B-5	40,665			
29	Staff Adjustment	To GWB-4	(13,754)			
30						
31	References:					
32	Column [A]:	Company Schedule C-1				
33	Column [B]:	Staff adjustments to expenses, See Testimony GWB				
34	Column [C]:	Column [A] + Column [B]				
35	Column [D]:	Expense Lags Used on Docket WS-01303A-06-0403, approved in Decision No. 70372				
36	Column [E]:	Column [C] * Column [D]				

ARIZONA-AMERICAN WATER COMPANY - TUBAC WATER
Docket No. WS-01303A-08-0227
Test Year Ended December 31, 2007

Schedule GWB- 6
SURREBUTTAL

RATE BASE ADJUSTMENT #2 - IMPUTED REGULATORY AIAC

LINE NO.	DESCRIPTION	[A] YEAR OF ADVANCE	[B] ADVANCE AMOUNT	[C] CIAC AMORTIZED	(D) CIAC REMAING BALANCE
1	Beginning Balance Per Decision No. 67093	2001	\$ 170,081		\$ 170,081
2	None	2002	-	25,163	144,918
3	None	2003	-	26,166	118,752
4	None	2004	-	26,166	92,586
5		2005		26,166	66,419
6		2006		26,166	40,253
7	None	2007	-	26,166	14,087
8	Per Staff		<u>\$ 170,081</u>	<u>\$ 155,994</u>	<u>\$ 14,087</u>
9	Company Proposed Imputed Reg. AIAC				-
10	Staff Adjustment			\$ -	<u>\$ 14,087</u>

REFERENCES:

Columns [A]: Fiscal Years

Column [B]: Beginning Balance per Decision No. 67093

Column [C]: Annual Amortization of Col [B] using 6.5 year recovery period per Decision No. 67093

Column [D]: CIAC per Decision No. 67093, less amortization.

ARIZONA-AMERICAN WATER COMPANY - TUBAC WATER
Docket No. WS-01303A-08-0227
Test Year Ended December 31, 2007

Schedule GWB 7
SURREBUTTAL

RATE BASE ADJUSTMENT #3 - DEFERRED DEBITS

LINE NO.	DESCRIPTION		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	At December 31, 2007	2007	54,503	(51,122)	3,381
6			<u>\$ 54,503</u>	<u>\$ (51,122)</u>	<u>\$ 105,625</u>

REFERENCES:

Columns [A]: Company schedules

Column [B]: Column [C] less Column [A]

Column [C]: See testimony GWB

ARIZONA-AMERICAN WATER COMPANY - TUBAC WATER
Docket No. WS-01303A-08-0227
Test Year Ended December 31, 2007

Schedule GWB 8
SURREBUTTAL

RATE BASE ADJUSTMENT #4 - AIAC IN CWIP

ACCT NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
	AIAC	1,042,125	\$ 20,266	\$ 1,062,391

Columns [A]: Company schedules

Column [B]: Column [C] less Column [A]

Column [C]: See testimony GWB

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1						
2	Water Revenues	\$ 423,061	\$ -	\$ 423,061	\$ 216,734	\$ 639,795
3	Other Revenues	3,839	-	3,839	-	3,839
4	Other	-	-	-	-	-
5	Total Operating Revenues	\$ 426,900	\$ -	\$ 426,900	\$ 216,734	\$ 643,634
6						
7	Labor	\$ 131,623	\$ -	131,623	\$ -	\$ 131,623
8	Purchased Water	\$ -	-	-	-	-
9	Fuel & Power	\$ 25,631	-	25,631	-	25,631
10	Chemicals	\$ 2,190	-	# 2,190	-	2,190
11	Waste Disposal	\$ (27)	-	(27)	-	(27)
12	Management Fees	\$ 87,180	-	87,180	-	87,180
13	Group Insurance	\$ 24,921	-	24,921	-	24,921
14	Pensions	\$ 28,546	-	28,546	-	28,546
15	Regulatory Expense	\$ 1,480	-	1,480	-	1,480
16	Insurance Other Than Group	\$ 5,049	-	5,049	-	5,049
17	Customer Accounting	\$ 11,644	-	11,644	-	11,644
18	Rents	\$ 4,146	-	4,146	-	4,146
19	General Office Expense	\$ 8,811	-	8,811	-	8,811
20	Miscellaneous	\$ 49,935	-	49,935	-	49,935
21	Maintenance Expense	\$ 17,394	-	17,394	-	17,394
22	Depreciation & Amortization	\$ 81,679	(552)	81,127	-	81,127
23	General Taxes-Property	\$ 26,350	(1,008)	25,341	4,222	29,563
24	General Taxes-Other	\$ 11,078	-	11,078	-	11,078
25	Income Taxes	\$ (52,178)	10,656	(41,522)	60,026	18,504
26			-	-	-	-
28						
29	Total Operating Expenses	465,453	9,096	474,549	64,248	538,796
30	Operating Income (Loss)	\$ (38,553)	\$ (9,096)	\$ (47,649)	\$ 152,486	\$ 104,838

References:

Column (A): Company Schedule C-1
Column (B): Schedule GTM 11
Column (C): Column (A) + Column (B)
Column (D): Schedules GWB 2, Lines 29 and 37
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Depreciation Exp. ADJ #1	[C] Property Taxes ADJ #2	[D] Income Taxes ADJ #3	[E] STAFF ADJUSTED
1						
2	Water Revenues	\$ 423,061	\$ -	\$ -	\$ -	\$ 423,061
3	Other Revenues	3,839	-	-	-	3,839
4	Other	-	-	-	-	-
5	Total Operating Revenues	\$ 426,900	\$ -	\$ -	\$ -	\$ 426,900
6						
7	Labor	\$ 131,623	\$ -	\$ -	\$ -	131,623
8	Purchased Water	-	-	-	-	-
9	Fuel & Power	25,631	-	-	-	25,631
10	Chemicals	2,190	-	-	-	2,190
11	Waste Disposal	(27)	-	-	-	(27)
12	Management Fees	87,180	-	-	-	87,180
13	Group Insurance	24,921	-	-	-	24,921
14	Pensions	28,546	-	-	-	28,546
15	Regulatory Expense	1,480	-	-	-	1,480
16	Insurance Other Than Group	5,049	-	-	-	5,049
17	Customer Accounting	11,644	-	-	-	11,644
18	Rents	4,146	-	-	-	4,146
19	General Office Expense	8,811	-	-	-	8,811
20	Miscellaneous	49,935	-	-	-	49,935
21	Maintenance Expense	17,394	-	-	-	17,394
22	Depreciation & Amortization	81,679	(552)	-	-	81,127
23	General Taxes-Property	26,350	-	(1,008)	-	25,341
24	General Taxes-Other	11,078	-	-	-	11,078
25	Income Taxes	(52,178)	-	-	10,656	(41,522)
26						
27						
28	Total Operating Expenses	\$ 465,453	\$ (552)	\$ (1,008)	\$ 10,656	\$ 474,549
29	Operating Income (Loss)	\$ (38,553)	\$ 552	\$ 1,008	\$ (10,656)	\$ (47,649)

ADJ #	References:
1	Depreciation Expense GTM 12
2	Property Taxes GTM 13
3	Income Taxes GTM 14

OPERATING ADJUSTMENT #1- DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	DESCRIPTION	[A] PLANT BALANCE	[B] DEPRECIATION RATE	[C] DEPRECIATION EXPENSE
1		<u>PLANT IN SERVICE:</u>			
2	301000	Organization	567	0.00%	-
3	302000	Franchises	2,030	0.00%	-
4	303200	Land & Land Rights SS	20,414	0.00%	-
5	303300	Land & Land Rights P	50	0.00%	-
6	303400	Land & Land Rights WT	50	0.00%	-
7	303500	Land & Land Rights TD	422	0.00%	-
8	303600	Land & Land Rights AG	2,755	0.00%	-
9	304100	Struct & Imp SS	25,292	2.21%	559
10	304200	Struct & Imp P	14,808	2.21%	323
11	304300	Struct & Imp WT	-	2.21%	-
12	304400	Struct & Imp TD	156	2.21%	3
13	304600	Struct & Imp Offices	498	2.21%	11
14	304800	Struct & Imp Misc	-	-	-
15	305000	Collect & Impounding	-	0.00%	-
16	307000	Wells & Springs	238,951	3.08%	7,360
17	310100	Power Generation Equip Other	4,832	4.24%	205
18	311200	Pump Equip Electric	281,109	4.24%	11,919
19	311300	Pump Equip Diesel	879	4.24%	37
20	311500	Pump Equip Other	403,824	4.24%	17,122
21	320100	WT Equip Non-Media	55,863	7.08%	3,944
22	330000	Dist Reservoirs & Standpipe	151,203	1.62%	2,449
23	331001	TD Mains Not Classified by Size	301,123	1.97%	5,932
24	331100	TD Mains 4in & Less	874,455	1.97%	17,227
25	331200	TD Mains 6in to 8in	390,385	1.97%	7,691
26	331300	TD Mains 10in to 16in	-	2.34%	-
27	333000	Services	401,618	2.45%	9,840
28	334100	Meters	99,052	2.42%	2,397
29	334200	Meter Installations	20,327	2.42%	492
30	335000	Hydrants	78,367	1.97%	1,544
31	339100	Other P/E Intangible	-	0.00%	-
32	339500	Other P/E TD	-	0.00%	-
33	340100	Office Furniture & Equip	5,453	3.28%	179
34	340200	Comp & Periph Equip	1,336	10.00%	134
35	341100	Trans Equip Lt Duty Trks	17,166	20.00%	3,433
36	341200	Trans Equip Hvy Duty Trks	-	15.00%	-
37	342000	Stores Equipment	0	3.59%	0
38	343000	Tools, Shop, Garage Equip	14,442	3.59%	518
39	344000	Laboratory Equipment	-	0.00%	-
40	345000	Power Operated Equipment	-	4.64%	-
41	346100	Comm Equip Non-Telephone	1,932	5.03%	97
42	346300	Comm Equip Other	659	4.93%	32
43					
44		<u>CORPORATE ALLOCATION</u>			
45	304620	Struct & Imp Leasehold	793	14.28%	113
46	331001	Mains	-	1.97%	-
47	340100	Office Furniture & Equip	3,927	3.28%	129
48	340200	Comp & Periph Equip	1,597	10.00%	160
49	340300	Computer Software	6,285	25.00%	1,571
50	340300	Computer Software-Other	163	25.00%	41
51	343000	Tools, Shop, Garage Equip	134	3.59%	5
52	346100	Comm Equip Non-Telephone	650	5.03%	33
53	346300	Comm Equip Other	17	4.93%	1
54		Total Plant in Service	3,423,384	2.79%	95,501
55					
56					
57		Less Non Depreciable Plant			
58	301000	Organization	567	-	-
59	302000	Franchises	2,030	-	-
60	303200	Land & Land Rights SS	20,414	-	-
61	303300	Land & Land Rights P	50	-	-
62	303400	Land & Land Rights WT	50	-	-
63	303500	Land & Land Rights TD	422	-	-
64	303600	Land & Land Rights AG	2,755	-	-
65	304620	Struct & Imp Leasehold	793	0	113
66		Net Depreciable Plant and Depreciation Amounts	\$ 3,396,303		\$ 95,387
67		Composite Depreciation Rate		2.81%	
68		Less			
69		Amortization of Regulatory CIAC at Settlement Rate			14,368
70		Amortization of CIAC at Composite Rate	\$ 195		\$ 5
71		Staff Recommended Depreciation Expense			\$ 81,127
72		Company Proposed Depreciation Expense			81,679
73		Staff Adjustment			\$ (552)

<u>References:</u>	
Col A	Schedule GWB-4
Col B	Proposed Rates per Staff Engineering Report for Non Allocated Plant
Col C	Col [A] times Col [B]

OPERATING ADJUSTMENT #2 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 426,900	\$ 426,900
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	853,800	853,800
4	Staff Recommended Revenue	426,900	643,634
5	Subtotal (Line 4 + Line 5)	1,280,700	1,497,434
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	426,900	499,145
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	853,800	998,289
10	Plus: 10% of CWIP - 2005	13,454	13,454
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	867,254	1,011,743
13	Assessment Ratio	0.23	0.230
14	Assessment Value (Line 12 * Line 13)	199,468	232,701
15	Composite Property Tax Rate - Obtained from ADOR	12.70%	12.70%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 25,341	
17	Company Proposed Property Tax	\$ 26,350	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ (1,008)	
19	Property Tax on Staff Recommended Revenue (Line 14 * Line 15)		\$ 29,563
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 25,341
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 4,222
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 4,222
23	Increase in Revenue Requirement		\$ 216,734
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.94802%

REFERENCES:

0

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1, Line 24
Line 21: Line 19 - Line 20
Line 23: Schedule GWB-1, Line 8

ARIZONA-AMERICAN WATER COMPANY - TUBAC WATER
Docket No. WS-01303A-08-0227
Test Year Ended December 31, 2007

Surrebuttal Schedule GTM-14

OPERATING INCOME ADJUSTMENT #3 - INCOME TAXES

LINE ACCT NO. NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Taxes	\$ (52,178)	\$ 10,656	\$ (41,522)

References:

Column (A), Company Schedule C-2
Column (B): Testimony GTM
Column (C): Column (A) + Column (B)

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
SANDRA KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01303A-08-0227
ARIZONA-AMERICAN WATER COMPANY)
FOR DETERMINATION OF THE CURRENT)
FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES BASED THEREON)
FOR UTILITY SERVICE BY ITS AGUA FRIA)
WATER DISTRICT, HAVASU WATER)
DISTRICT, MOHAVE WATER DISTRICT,)
PARADISE VALLEY WATER DISTRICT, AND)
TUBAC WATER DISTRICT)

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. SW-01303A-08-0227
ARIZONA-AMERICAN WATER COMPANY)
FOR DETERMINATION OF THE CURRENT)
FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES BASED THEREON)
FOR UTILITY SERVICE BY ITS MOHAVE)
WASTEWATER DISTRICT)

SURREBUTTAL
TESTIMONY
OF
GARY T. MCMURRY
PUBLIC UTILITIES ANALYST IV
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

MARCH 3, 2009

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EXECUTIVE SUMMARY
ARIZONA AMERICAN WATER COMPANY
DOCKET NOS. W-01303A-08-0227
AND SW-01303A-08-0227

The Surrebuttal Testimony of Staff witness Gary T. McMurry addresses the following issues:

Test Year Operating Income – The adjusted test year operating income for Staff and the Company by system are as follows:

<u>System</u>	<u>Company</u>	<u>Staff</u>
Agua Fria	\$2,601,288	\$2,819,140
Havasu	(\$ 131,419)	\$ 31,245
Mohave Water	\$ 37,140	\$ 513,875
Mohave WW	\$ 15,619	\$ 115,161
Paradise Valley	\$1,552,497	\$1,867,671
Sun City West	\$ 587,425	\$ 637,152
Tubac	(\$ 38,553)	(\$ 47,649)
Total	\$4,624, 069	\$5,936,595

The primary differences in test year operating income for between Staff and the Company relate to Chemical, Tank Maintenance, and Depreciation Expenses. Staff agrees with the Company's test year revenues.

Response to the Rebuttal Testimony of Mr. G. Troy Day:

1. Tank Maintenance – Staff continues to recommend normalization of the past three years' recorded expenses. The Company's proposal to recover estimated tank maintenance costs is not adequately supported, includes future inflationary costs, and among other concerns, assumes that its costs are the same as the unauthorized proposed costs of another utility. Staff reserves the right to revisit this issue subject to further discovery.

Staff response to Rebuttal Testimony of Ms. Sheryl L. Hubbard:

1. Depreciation Expense – The reason for differences between the Staff and Company's depreciation expense are due to differences in rate base and depreciation rates.
2. Chemical Expense – Staff agrees with the Company's rebuttal position amount for chemical expense.
3. Fuel and Power Adjustor Mechanism – The Company proposes to establish a fuel and power adjustor mechanism. Unlike other decisions, where an adjustment mechanism has been approved, the Company failed to provide adequate support for the expense's volatility and its impact on the Company's overall financial performance. Staff recommends denial

of the adjustor mechanism because of Staff's concern for piecemeal regulation inherent in adjustment mechanisms.

I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Gary T. McMurry. I am a Public Utilities Analyst IV employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Gary T. McMurry who filed Direct Testimony in this case?

A. Yes, I am.

Q. What is the purpose of your testimony in this case?

A. The purpose of my Surrebuttal Testimony in this proceeding is to respond to the Rebuttal Testimony of Arizona-American Water Company ("Arizona-America" or "Company") witnesses G. Troy Day and Sheryl L. Hubbard regarding test year operating revenues and expenses and fuel and power adjustment mechanism.

II. RESPONSE TO MR. G. TROY DAY'S REBUTTAL TESTIMONY

Tank Maintenance

Q. Did the Company in its Rebuttal Testimony propose a new Tank-Maintenance program and related costs not mentioned in its Direct Testimony?

A. Yes.

Q. Please explain the Company's proposed tank maintenance program and how it calculated the relate costs.

A. The Company proposes a maintenance schedule for a storage tank that includes recoating the interiors every 14 years and painting the exteriors every 14 years. The Company claims that the proposed interior and exterior maintenance schedules are adapted from its

1 Missouri Arizona-American affiliate where average interior maintenance interval is eight
2 years and the average external interval is 12 years. The Company modified the
3 maintenance intervals to reflect its experience with the Arizona climate and water quality
4 characteristics.¹

5
6 **Q. What information did the Company provide to show the calculation of its proposed**
7 **costs for its revised tank maintenance program?**

8 A. According to Mr. Day, the Company calculated the cost for interior coating by applying a
9 rate of \$4.22 per square foot and the cost for the exterior painting by applying a rate of
10 \$1.68 per square foot. This calculation is shown in detail in Exhibit GTD-R1, Page 2 of
11 Mr. Day's rebuttal and is summarized in Exhibit GTD-R1, Page 3. Page 1 of Exhibit
12 GTD-R1 shows the Company's estimated cost for inspecting (evaluation and report,
13 washout and disinfection) tanks. No inspection frequency is specified.

14
15 **Q. What is the source for the interior coating and exterior painting rates the Company**
16 **uses in the calculation of its proposed tank maintenance expense?**

17 A. The Company uses the high end of the range of rates (interior, \$3.83 - \$4.22/sq. ft.;
18 exterior, \$1.58 - \$1.68/ sq. ft) Arizona Water Company claims for 2008 costs.²

19
20 **Q. Does Exhibit GTD-R1 fully explain the Company's proposed costs?**

21 A. No. The Company's rebuttal includes in aggregate for all six water systems pro forma
22 adjustments of \$376,957 for tank maintenance. The proposed pro forma allowance would
23 provide \$5,277,398 over 14 years. Exhibit GTD-R1, Page 3 shows the cost over the 15-
24 year period 2009 through 2023 is \$4,400,281 for interior coating and exterior painting.
25 The \$877,117 difference between the pro forma request and the calculation on Exhibit

¹ G. Troy Day Surrebuttal at 3.

² Docket No. W-01445A-08-0440, Fredrick K. Schneider, direct, p.24-25.

1 GTD-R1, Page 3 is unexplained except that at least part of the difference represents
2 inspection costs. Exhibit GTD-R1, Page 1 shows the total inspection cost is \$217,250
3 (Eastern Division, \$128,705 and Central Division, \$88,545) - as previously noted, the
4 inspection frequency is not specified. The discrepancy between the 15-year cost in
5 Exhibit GTD-R1, Page 3 and the 14-year maintenance cycle is not explained and should
6 be part of any reconciliation of the difference.

7
8 **Q. Does Staff have any comments regarding the \$4,400,281 15-year maintenance cost**
9 **shown in Exhibit GTD-R1, Page 3?**

10 A. Yes. First, the costs are inflated at a compounded annual rate of 3.0 percent.
11 Accordingly, the costs for the year 2023 are inflated over the 2008 amount by a factor of
12 1.03^{15} or 1.558. Thus, the calculation reflects future costs instead of historical test year
13 costs. These projected, inflated amounts are not known and measurable and should be
14 rejected. Furthermore, even if recognition of future, inflated costs was appropriate, the
15 inflationary period should be consistent with the number of years the rates are expect to be
16 in place before a subsequent rate case.

17
18 **Q. Does Staff have other concerns regarding the Company proposed maintenance costs?**

19 A. Yes. First, Arizona-American has not explained why Arizona Water Company's claimed
20 costs are representative of Arizona-American's costs nor has it shown that the costs are
21 directly comparable (include identical items). Second, the costs claimed by Arizona
22 Water Company have not been adopted by the Commission.

23
24 **Q. What does Staff recommend regarding the tank maintenance?**

25 A. Staff continues to recommend the normalized historical costs as presented in its direct
26 testimony. However, Staff does perceive potential merit to the Company proposed plan

1 with appropriate support and modifications. Accordingly, Staff reserves the right to
2 revisit this issue subject to further discovery.

3
4 **III. RESPONSE TO MS. SHERYL L. HUBBARD'S REBUTTAL TESTIMONY**

5 *Depreciation Expense*

6 **Q. What are the Company rebuttal and Staff surrebuttal depreciation expenses by**
7 **system?**

8 A. The following chart shows the Company's rebuttal and Staff's surrebuttal depreciation
9 expenses by system.

	Company	Staff
	<u>Rebuttal</u>	<u>Surrebuttal</u>
13 Agua Fria	4,397,190	4,071,081
14 Havasu	291,351	187,656
15 Mohave Water	883,235	554,265
16 Mohave WW	248,398	29,337
17 Paradise Valley	1,615,824	1,643,187
18 Sun City West	1,323,541	1,479,023
19 Tubac	81,127	81,127

20
21 **Q. What are the reasons for the differences in depreciation expense between the**
22 **Company's Rebuttal Testimony and Staff's Surrebuttal Testimony?**

23 A. The differences in depreciation expense are attributable to differences in depreciable plant
24 and depreciation rates, including the amortization rate for contributions-in-aid-of-
25 construction ("CIAC").

26
27 *Chemical Expense*

28 **Q. Does Staff agree with the Company's rebuttal position regarding chemical expense?**

29 A. Yes. The Company's original application included a double count of some chemical
30 expenses in the Agua Fria and Paradise Valley Districts. Staff's Direct Testimony

1 included an adjustment to remove the double count. However, Staff's adjustment also
2 contained an error. The Company's rebuttal position rectifies both errors. Staff agrees
3 with the Company that the Chemical Expenses for the Agua Fria and the Paradise Valley
4 Districts are \$981,390 and 185,037, respectively.

5
6 **Q. Does Staff agree with the Company's rebuttal position regarding chemical expense**
7 **including the Company's proposed amortization of deferred Arsenic O&M for the**
8 **Havasu District?**

9 A. Yes. Mr. Broderick proposed in his Direct Testimony to amortize Havasu's deferred
10 arsenic O&M costs over 12 years. Decision No. 69162, dated December 5, 2006,
11 authorized the deferral of these arsenic costs. However, in preparation of the schedules
12 for the original rate filing, the amortization of deferred arsenic O&M costs was omitted.
13 The Company corrected the oversight in the schedules submitted in Rebuttal Testimony.
14 The proposed annual amortization of deferred arsenic O&M costs is \$7,916 ($\$94,996 \div$
15 12).

16
17 *Property Taxes*

18 **Q. Does the Company refute Staff's recommendations with respect to property taxes?**

19 A. No. The Company notes that Staff's proposed adjustments to property taxes reflect the
20 conforming adjustment necessary to account for the difference between the Company's
21 and Staff's revenue requirement.
22

1 *Income Taxes*

2 **Q. Does the Company refute Staff's recommendations with respect to income taxes?**

3 A. No. The Company notes that Staff's proposed adjustments to income taxes reflect the
4 conforming adjustment necessary to account for the difference between the Company's
5 and Staff's revenue requirement.
6

7 *Fuel and Power Adjustor Mechanism*

8 **Q. Is the Company proposing any expense adjustor mechanism?**

9 A. Yes. The Company is proposing a fuel and power adjustor mechanism.
10

11 **Q. What reason has the Company given to support its request for a fuel and power
12 adjustment mechanism?**

13 A. The Company supports its request for a fuel and power adjustment mechanism citing that
14 power costs are a significant portion of its operating expenses.
15

16 **Q. Does the mere significance of a particular expense warrant establishment of an
17 adjustment mechanism?**

18 A. No. Other criteria such as volatility and ability to control should also be considered.
19 Furthermore, a concern for piecemeal regulation is inherent in adjustment mechanisms,
20 i.e., an adjustor mechanism has the potential to automatically increase rates due to an
21 increase in one particular expense without the simultaneous consideration of changes in
22 other costs that may have declined or revenues that may have increased. In other words,
23 an adjustment mechanism has the built-in potential to allow a company to increase rates
24 based on certain isolated costs when its other costs may be declining resulting in increased
25 income. In addition, adjustment mechanisms may also provide a disincentive for a utility
26 to obtain the lowest possible cost commodity when the costs are simply passed through to

1 the ratepayer. Accordingly, Staff recommends denial of the Company's request for a fuel
2 and power adjustment mechanism.

3

4 **Q. Does this conclude your Surrebuttal Testimony?**

5 **A. Yes, it does.**

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01303A-08-0227

ARIZONA-AMERICAN WATER COMPANY)

FOR DETERMINATION OF THE CURRENT)

FAIR VALUE OF ITS UTILITY PLANT AND)

PROPERTY AND FOR INCREASES IN ITS)

RATES AND CHARGES BASED THEREON)

FOR UTILITY SERVICE BY ITS AGUA FRIA)

WATER DISTRICT, HAVASU WATER)

DISTRICT, MOHAVE WATER DISTRICT,)

PARADISE VALLEY WATER DISTRICT, AND)

TUBAC WATER DISTRICT)

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. SW-01303A-08-0227

ARIZONA-AMERICAN WATER COMPANY)

FOR DETERMINATION OF THE CURRENT)

FAIR VALUE OF ITS UTILITY PLANT AND)

PROPERTY AND FOR INCREASES IN ITS)

RATES AND CHARGES BASED THEREON)

FOR UTILITY SERVICE BY ITS MOHAVE)

WASTEWATER DISTRICT)

SURREBUTTAL

TESTIMONY

OF

DAVID C. PARCELL

ON BEHALF OF

UTILITIES DIVISION STAFF

ARIZONA CORPORATION COMMISSION

MARCH 3, 2009

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INTRODUCTION

Q. Please state your name and address.

A. My name is David C. Parcell. I am President and Senior Economist of Technical Associates, Inc. My business address is 1051 East Cary Street, Suite 601, Richmond, Virginia 23219.

Q. Are you the same David C. Parcell who filed Direct Testimony on behalf of the Commission Staff in this proceeding?

A. Yes, I am.

Q. What is the purpose of your current testimony?

A. My current testimony is Surrebuttal Testimony in response to the Rebuttal Testimony of Arizona-American Water witness Bente Villadsen.

Q. How is your Surrebuttal Testimony organized?

A. My Surrebuttal Testimony first responds to the Rebuttal Testimony of Dr. Villadsen. Next, I update my Exhibits contained in my Direct Testimony and update my DCF, CAPM, and CE analyses.

RESPONSE TO REBUTTAL TESTIMONY OF BENTE VILLADSEN

Q. Please describe the issues raised in Dr. Villadsen's Rebuttal Testimony that you are responding to in this Surrebuttal Testimony.

A. My response to Dr. Villadsen's Rebuttal Testimony generally follows the format she utilizes and is organized into the following topics:

- General comments
- Financial risk issues

- Discounted Cash Flow Issues
- Capital Asset Pricing Model Issues
- Comparable Earnings Method Issues

General Comments

Q. Do you have any general comments about the Rebuttal Testimony of Dr. Villadsen?

A. Yes, I do. Dr. Villadsen makes several references to a November 28, 2008 long-term debt issuance by American Water Capital Corporation ("AWC" the financing affiliate of AAWC) at a cost rate of 10 percent. She then repeatedly implies that this 10 percent cost rate for this long-term debt issue provides a standard for the cost of common equity for AAWC in this proceeding.

Q. Do you agree with this proposed connection between AWC's cost of this debt issuance and the cost of equity for AAWC?

A. No, I do not. The relevant cost of long-term debt to AAWC, relative to this proceeding, is the 5.463 percent embedded cost of long-term debt, which was represented by AAWC to be its total cost of long-term debt as projected to December 31, 2008. This cost rate is properly and completely included in the total cost of capital for AAWC that I and other cost of capital witnesses are proposing in this proceeding.

The November 2008 long-term debt issued by AWC may be included in the total cost of long-term debt to AAWC in this or some future proceeding(s) but should not be singled out as a standard for the cost of equity for AAWC in this or any other proceeding.

1 **Q. Is there anything about this debt issue by AWC that makes its use as a “standard”**
2 **for AAWC’s cost of equity to be particularly improper?**

3 A. Yes, there is. This debt issue, dated November 28, 2008, took place at virtually the peak
4 of the interest rate levels of late 2008 during which the U.S. and global economies were
5 undergoing the “flight to quality” associated with the stock market collapse and the
6 movement of significant amounts of investment dollars into “safe” shelters such as U.S.
7 Treasury Bonds. During this period, which continues at the present time, the movement of
8 funds into U.S. Treasury Bonds has driven the yield on government debt to low levels and
9 the yield on corporate and utility debt to high levels.

10
11 Most corporations, including utilities, chose to stay out of the new debt issuance market
12 during this period due to the high interest rates that were prevailing. This was not the case
13 for AWC, who sold some \$75 million of 30-year bonds at what amounted to the peak of
14 the interest rate levels of 2008.

15
16 I have reviewed the prospectus that was issued in connection with this debt issue. Based
17 upon this, as well as the on-going efforts of American Water Works Company (“AWW”)
18 to divest itself from RWE, it is apparent that AWW and AWC have engaged in several
19 financial transactions over the past two years in connection with the divestiture. As I
20 indicated in my Direct Testimony, AWW was only able to sell a 40 percent stake in itself
21 through its initial public offering (“IPO”). In addition, RWE and AWW have entered into
22 several financial transactions, including the issuance of preferred stock to RWE by AWC,
23 issuance of “redemption notes” to redeem the preferred stock, and issuance of senior debt
24 to retire the redemption notes. As a result, it is my perception that AWC chose to sell the
25 above-cited high-cost debt at the time it did due at least in part to considerations of its

1 divestiture from RWE. To the extent this is true, this should not be used as a standard for
2 AAWC's cost of equity.

3
4 **Q. Dr. Villadsen claims, on page 4 lines 7-8, that your 10.0 percent cost of equity**
5 **recommendation is "below the return allowed to other utilities prior to the financial**
6 **crisis..." Do you have any response to this assertion?**

7 **A.** Yes, I do have comments concerning this assertion. I was involved in two utility
8 proceedings before this Commission in 2008 in which a litigated decision was made
9 concerning the cost of common equity. These were:

10
11 UNS Electric – Docket No. E-04204A-06-0783

12 Southwest Gas – Docket No. G-01551A-07-0504

13
14 In both of these proceedings, the Commission made a finding that 10.0 percent was the
15 proper cost of common equity. In addition, the capital structures for both of these utilities
16 contained less than 45 percent common equity.

17
18 **Q. On page 8, lines 10-12, Dr. Villadsen claims "There is ample evidence that the cost of**
19 **both debt and equity capital has increased, and it is dangerous and incorrect to focus**
20 **on the risk-free rates which are 'low by historical standards.'" What is your**
21 **response to this assertion?**

22 **A.** I disagree with Dr. Villadsen on this. She seems to be equating the decline in stock prices
23 with an increase in the cost of equity capital. A more likely explanation for a decline in
24 stock prices is the obvious fact that the increasingly severe recession is having an effect of
25 reducing current and future corporate profits. A reduction in corporate profits represents a

1 decline in the opportunity cost of capital, or the expected return on alternative investment
2 opportunities.

3
4 Dr. Villadsen appears to be taking the position that, even though other types of enterprises
5 are expected to earn a lower rate of return, this should be used as a rationale for a
6 regulated utility like AAWC to earn a higher return through a higher cost of capital. I note
7 that it is evident that the Arizona economy is very depressed currently, as the financial
8 press is describing the housing market here as among the weakest in the U.S. This is
9 hardly an environment for a nation-wide utility organization such as AWC to claim that
10 Arizona ratepayers should pay a higher cost of capital based upon the same set of
11 economic circumstances that are negatively impacting the ratepayers.

12
13 *Financial Risk Issues*

14 **Q. Please describe Dr. Villadsen's position on the issue of AAWC's capital structure and**
15 **the impact of this on the Company's cost of equity.**

16 A. Dr. Villadsen maintains, on pages 16 to 21, that AAWC should be awarded a higher cost
17 of equity because the Company has a lower equity ratio, and thus higher financial risk. In
18 this regard, she seems to be maintaining that the "Hamada" methodology, or some variant
19 of this methodology, be utilized to modify the market-derived cost of equity for the proxy
20 water utilities in applying this to AAWC's cost of equity.

21
22 **Q. Do you agree that some modification to the market derived cost of equity for the**
23 **water proxy groups be made in developing AAWC's cost of equity?**

24 A. No, I do not. This proposal is focusing on a single perceived risk and suggesting an
25 adjustment be made to the cost of equity to account for this singular risk. In doing so, this

1 proposal ignores other risks of the Company that may be less than those of the proxy
2 group.

3
4 **Q. Can you give an example of any lower risks of AAWC that Dr. Villadsen's proposal**
5 **does not recognize?**

6 A. Yes, I can. AAWC is part of the AWW system, and in fact is substantially funded as an
7 integral part of this system. AWW is the largest publicly-traded water system in the U.S.
8 As a result, it generally faces lower risk than smaller water systems. In addition, the fact
9 that AWW operates in a large number of states, with multiple divisions in many states,
10 indicates that it has less risk than less diversified water systems.

11
12 It is noteworthy that Dr. Villadsen does not acknowledge these lower-risk attributes of
13 AAWC/AWW and instead focuses on a single risk factor that she maintains should be
14 used to inflate the Company's cost of equity. This is improper and should not be adopted.

15
16 *Discounted Cash Flow Method Issues*

17 **Q. What are Dr. Villadsen's comments concerning your DCF methodology?**

18 A. She disagrees with two aspects of my DCF analyses. First, she disagrees with the use of a
19 single-stage DCF model, instead preferring the use of a multi-stage DCF model. Second,
20 she continues to maintain that only a single indicator be used to estimate the short-term
21 growth rate -- analysts' estimates of EPS.

22
23 **Q. Why does Dr. Villadsen maintain that a single-stage DCF model is inferior to a**
24 **multi-stage DCF model?**

25 A. On pages 21 to 22, she criticizes the single-stage DCF model because of her perception
26 that some level of long-term growth will eventually prevail.

1 **Q. Is this a compelling reason to use a multi-stage DCF model?**

2 A. No, it is not. Most utilities, including AAWC, have rate proceedings every few years,
3 where it is possible to re-evaluate the impact of current and/or changing economic and
4 financial conditions. As a result, it is the short-term expectations that are more likely to
5 govern investor expectations.

6
7 Furthermore, it should be apparent that estimates of long-term growth are less precise than
8 short-term estimates. As a result, it is not proper to give significant weight to long-term
9 growth rate estimates.

10
11 **Q. What is Dr. Villadsen's complaint with your DCF growth rates?**

12 A. She first mistakenly indicates that my DCF analyses are based on an average of several
13 growth rates. This is incorrect. My DCF analyses consider several growth rates
14 individually, as well as an average of all the growth rates. It is evident from my Schedule
15 5, page 4, that most of the DCF results for the individual growth rates are either within my
16 recommended range or are below it.

17
18 **Q. What growth rate does Dr. Villadsen maintain should be used in a DCF analysis?**

19 A. She maintains, as she did in her direct testimony, that the only growth rate that has any
20 significance is analysts' estimates of EPS growth.

21
22 **Q. Do you agree with this assertion?**

23 A. No, I do not. As I indicated in my DCF analysis, it is customary and proper to use
24 alternative measures of growth, not just EPS projections. Dr. Villadsen's DCF analyses
25 implicitly assume that investors rely exclusively on EPS projections when making short-
26 term investment decisions. This is a very dubious assumption, and she has offered no

1 evidence that it is correct. I note, for example, the Value Line publication – one of the
2 sources of the growth rate estimates – contains many statistics, of both a historic and
3 projected nature, for the benefit of Value Line subscribers, who presumably make
4 investment decisions based at least in part from the information contained in Value Line.
5 For example, Value Line publishes both historic and projected growth rates in numerous
6 financial indicators such as EPS, DPS, BVPS, and retention growth. Yet, Dr. Villadsen
7 would have us believe that Value Line subscribers and investors focus exclusively on one
8 single number from this publication.

9
10 I note in this regard that the DCF model is a “cash flow” model. The cash flow to
11 investors in a DCF framework is dividends. Dr. Villadsen’s DCF analysis, in contrast,
12 does not even consider dividend growth rates.

13
14 **Q. Dr. Villadsen also disagrees with your dividend yield adjustment. What is your**
15 **response to this?**

16 A. The dividend yield adjustment I use recognizes that dividends are increased at various
17 times during the year and, on average, each company in the proxy group will have its
18 “new” dividend rate during half of the coming year. This is a common dividend yield
19 adjustment and, in fact, is specifically employed by the Federal Energy Regulatory
20 Commission in its preferred DCF methodology.

21
22 *Capital Asset Pricing Model Issues*

23 **Q. What are Dr. Villadsen’s comments about your CAPM methodology?**

24 A. Her only apparent disagreement with my CAPM method is her perception that I use only
25 geometric growth rates in developing my risk premium component. She maintains that
26 only the arithmetic growth rate should be use.

1 **Q. Is it correct that you only use geometric means in developing your CAPM risk**
2 **premium component?**

3 A. No, it is not. In developing my risk premium component, I use three growth rates. Two
4 of these are, in fact, arithmetic growth rates, and one is a geometric growth rate.

5
6 **Q. Why is it proper to use geometric growth rates in a risk premium development?**

7 A. This is the case since investors have access to, and presumably rely upon, both types of
8 averages. In fact, it is likely that more information is provided to investors in the form of
9 geometric averages than arithmetic averages. For example, mutual funds report returns
10 based on geometric averages. In addition, Value Line reports both historic and projected
11 growth rates on a geometric basis.

12
13 *Comparable Earnings Method Issues*

14 **Q. What issues does Dr. Villadsen take with your comparable earnings analysis?**

15 A. She claims that there are two problems with my comparable earnings analysis. First, she
16 maintains that the comparable earnings method relies upon accounting data. Second, she
17 maintains that returns of regulated water utilities should not be used as a standard for
18 AAWC.

19
20 **Q. What is your response to her first clam?**

21 A. Contrary to the perception provided by Dr. Villadsen, it is quite proper that a comparable
22 earnings analysis utilize accounting data. This is the case since virtually all of the
23 information utilized in developing the revenue requirement for a regulated utility relies on
24 accounting data. This includes rate base (even in a fair value State such as Arizona),
25 revenues, expenses, capital structure and cost of debt. It is not only logical but proper that

1 a comparable earnings analysis be utilized as one cost of capital model in developing the
2 revenue requirement.

3
4 I also note that the comparable earnings method is the oldest cost of capital model, as it
5 goes back at least several decades. The basis of the comparable earnings method is also
6 grounded in the language of the Bluefield U.S. Supreme Court decision that I cited in my
7 Direct Testimony.

8
9 **Q. Do you have any response to Dr. Villadsen's second criticism of your comparable**
10 **earnings method?**

11 A. Yes, I do. Dr. Villadsen indicates her belief that the returns of regulated water utilities
12 should not be used as a standard for AAWC. I disagree with her assertion. The types of
13 companies that are most comparable to AAWC, in terms of operations and risks, are
14 publicly-traded water and wastewater utilities.

15
16 **UPDATE OF COST OF CAPITAL ANALYSES**

17 **Q. Please describe the updates to the schedules that were contained in your Direct**
18 **Testimony.**

19 A. I have updated the schedules to my Direct Testimony. Attached to this Surrebuttal
20 Testimony is a complete set of schedules, with the schedules that are being updated being
21 identified as "Updated."

22
23 **Q. Please describe your updated DCF results.**

24 A. My updated DCF results use average stock prices for the period November 2008 - January
25 2009 and the most recent Value Line and analysts' projections. The updated DCF results,
26 along with my original DCF results, are as follows:

Original – Direct Testimony

	Mean	Median	Mean High	Median High
Value Line Group	7.8%	7.6%	9.2%	9.2%
AUS Group	8.8%	9.1%	11.4%	11.5%
Villadsen Group	8.8%	9.2%	11.6%	11.5%

Updated – Surrebuttal Testimony

	Mean	Median	Mean High	Median High
Value Line Group	7.4%	7.6%	9.3%	9.1%
AUS Group	8.7%	9.0%	11.5%	11.25
Villadsen Group	8.6%	8.9%	11.7%	11.0%

It is apparent from this comparison that the updated DCF results are very similar to the original DCF results.

Q. Please now describe your updated CAPM results.

A. I have updated my CAPM results by using a risk-free rate for the period November 2008 - January 2009 and the most current beta values. My updated CAPM results, along with my original CAPM results, are as follows:

Original – Direct Testimony

	Mean	Median
Value Line Group	10.4%	10.4%
AUS Group	9.8%	10.1%
Villadsen Group	9.8%	10.1%

Updated – Surrebuttal Testimony

	Mean	Median
Value Line Group	9.5%	9.5%
AUS Group	9.0%	9.1%
Villadsen Group	9.0%	9.1%

It is apparent from this comparison that the updated CAPM results are somewhat lower than the original CAPM results.

Q. Have you also updated your CE analyses?

A. Yes, I have, although only the projected (i.e., 2008, 2009 and 2011-2013) returns on equity are updated. As a result, my updated CE analyses are largely the same as the original CE analyses.

Q. What is your conclusion from the updates of your cost of equity analyses?

A. It is my conclusion that the updated DCF and CE analyses are the same as was the case in my Direct Testimony, while the CAPM results are lower. Given that two of the three cost of equity models produce virtually the same results when updated, I conclude that the cost of equity has not changed since my direct testimony was prepared. As a result, I am not changing my cost of equity recommendation in this proceeding.

Q. Does this conclude your Surrebuttal Testimony?

A. Yes, it does.

ARIZONA-AMERICAN WATER COMPANY
TOTAL COST OF CAPITAL

Item	Amount	Percent	Cost		Weighted Cost	
Short-Term Debt	\$43,811,094.00	10.98%	5.367%		0.59%	
Long-Term Debt	\$189,208,140.00	47.40%	5.463%		2.59%	
Common Equity	\$166,123,326.00	41.62%	9.50%	10.50%	3.95%	4.37%
Total	\$399,142,560.00	100.00%			7.13%	7.55%
					Mid-Point	7.34%

ECONOMIC INDICATORS

Year	Real GDP Growth*	Industrial Production Growth	Unemploy- ment Rate	Consumer Price Index	Producer Price Index
1975 - 1982 Cycle					
1975	-1.1%	-8.9%	8.5%	7.0%	6.6%
1976	5.4%	10.8%	7.7%	4.8%	3.7%
1977	5.5%	5.9%	7.0%	6.8%	6.9%
1978	5.0%	5.7%	6.0%	9.0%	9.2%
1979	2.8%	4.4%	5.8%	13.3%	12.8%
1980	-0.2%	-1.9%	7.0%	12.4%	11.8%
1981	1.8%	1.9%	7.5%	8.9%	7.1%
1982	-2.1%	-4.4%	9.5%	3.8%	3.6%
1983 - 1991 Cycle					
1983	4.0%	3.7%	9.5%	3.8%	0.6%
1984	6.8%	9.3%	7.5%	3.9%	1.7%
1985	3.7%	1.7%	7.2%	3.8%	1.8%
1986	3.1%	0.9%	7.0%	1.1%	-2.3%
1987	2.9%	4.9%	6.2%	4.4%	2.2%
1988	3.8%	4.5%	5.5%	4.4%	4.0%
1989	3.5%	1.8%	5.3%	4.6%	4.9%
1990	1.8%	-0.2%	5.6%	6.1%	5.7%
1991	-0.5%	-2.0%	6.8%	3.1%	-0.1%
1992 - 2001 Cycle					
1992	3.0%	3.1%	7.5%	2.9%	1.6%
1993	2.7%	3.3%	6.9%	2.7%	0.2%
1994	4.0%	5.4%	6.1%	2.7%	1.7%
1995	2.5%	4.8%	5.6%	2.5%	2.3%
1996	3.7%	4.3%	5.4%	3.3%	2.8%
1997	4.5%	7.2%	4.9%	1.7%	-1.2%
1998	4.2%	5.9%	4.5%	1.6%	0.0%
1999	4.5%	4.3%	4.2%	2.7%	2.9%
2000	3.7%	4.2%	4.0%	3.4%	3.6%
2001	0.8%	-3.4%	4.7%	1.6%	-1.6%
Current Cycle					
2002	1.6%	-0.1%	5.8%	2.4%	1.2%
2003	2.5%	1.2%	6.0%	1.9%	4.0%
2004	3.6%	2.5%	5.5%	3.3%	4.2%
2005	2.9%	3.3%	5.1%	3.4%	5.4%
2006	2.8%	2.2%	4.6%	2.5%	1.1%
2007	2.0%	1.7%	4.6%	4.1%	6.2%
2008			5.8%		

*GDP=Gross Domestic Product

Source: Council of Economic Advisors, Economic Indicators, various issues.

ECONOMIC INDICATORS

Year	Real GDP Growth*	Industrial Production Growth	Unemploy- ment Rate	Consumer Price Index	Producer Price Index
2002					
1st Qtr.	2.7%	-3.8%	5.6%	2.8%	4.4%
2nd Qtr.	2.2%	-1.2%	5.9%	0.9%	-2.0%
3rd Qtr.	2.4%	0.8%	5.8%	2.4%	1.2%
4th Qtr.	0.2%	1.4%	5.9%	1.6%	0.4%
2003					
1st Qtr.	1.2%	1.1%	5.8%	4.8%	5.6%
2nd Qtr.	3.5%	-0.9%	6.2%	0.0%	-0.5%
3rd Qtr.	7.5%	-0.9%	6.1%	3.2%	3.2%
4th Qtr.	2.7%	1.5%	5.9%	-0.3%	2.8%
2004					
1st Qtr.	3.0%	2.8%	5.6%	5.2%	5.2%
2nd Qtr.	3.5%	4.9%	5.6%	4.4%	4.4%
3rd Qtr.	3.6%	4.6%	5.4%	0.8%	0.8%
4th Qtr.	2.5%	4.3%	5.4%	3.6%	7.2%
2005					
1st Qtr.	3.0%	3.8%	5.3%	4.4%	5.6%
2nd Qtr.	2.6%	3.0%	5.1%	1.6%	-0.4%
3rd Qtr.	3.8%	2.7%	5.0%	8.8%	14.0%
4th Qtr.	1.3%	2.9%	4.9%	-2.0%	4.0%
2006					
1st Qtr.	4.8%	3.4%	4.7%	4.8%	-0.2%
2nd Qtr.	2.7%	4.5%	4.6%	4.8%	5.6%
3rd Qtr.	0.8%	5.2%	4.7%	0.4%	-4.4%
4th Qtr.	1.5%	3.5%	4.5%	0.0%	3.6%
2007					
1st Qtr.	0.1%	2.5%	4.5%	4.8%	6.4%
2nd Qtr.	4.8%	1.6%	4.5%	5.2%	6.8%
3rd Qtr.	4.8%	1.8%	4.6%	1.2%	1.2%
4th Qtr.	-0.2%	2.2%	4.8%	6.4%	10.8%
2008					
1st Qtr.	0.9%	1.8%	4.9%	2.8%	9.6%
2nd Qtr.	2.8%	0.3%	5.3%	7.6%	14.0%
3rd Qtr.	-0.5%	-3.0%	6.0%	2.8%	-0.4%
4th Qtr.			6.9%		

Source: Council of Economic Advisors, Economic Indicators, various issues.

INTEREST RATES

Year	Prime Rate	US Treas T Bills 3 Month	US Treas T Bonds 10 Year	Utility Bonds Aaa	Utility Bonds Aa	Utility Bonds A	Utility Bonds Baa
1975 - 1982 Cycle							
1975	7.86%	5.84%	7.99%	9.03%	9.44%	10.09%	10.96%
1976	6.84%	4.99%	7.61%	8.63%	8.92%	9.29%	9.82%
1977	6.83%	5.27%	7.42%	8.19%	8.43%	8.61%	9.06%
1978	9.06%	7.22%	8.41%	8.87%	9.10%	9.29%	9.62%
1979	12.67%	10.04%	9.44%	9.86%	10.22%	10.49%	10.96%
1980	15.27%	11.51%	11.46%	12.30%	13.00%	13.34%	13.95%
1981	18.89%	14.03%	13.93%	14.64%	15.30%	15.95%	16.60%
1982	14.86%	10.69%	13.00%	14.22%	14.79%	15.86%	16.45%
1983 - 1991 Cycle							
1983	10.79%	8.63%	11.10%	12.52%	12.83%	13.66%	14.20%
1984	12.04%	9.58%	12.44%	12.72%	13.66%	14.03%	14.53%
1985	9.93%	7.48%	10.62%	11.68%	12.06%	12.47%	12.96%
1986	8.33%	5.98%	7.68%	8.92%	9.30%	9.58%	10.00%
1987	8.21%	5.82%	8.39%	9.52%	9.77%	10.10%	10.53%
1988	9.32%	6.69%	8.85%	10.05%	10.26%	10.49%	11.00%
1989	10.87%	8.12%	8.49%	9.32%	9.56%	9.77%	9.97%
1990	10.01%	7.51%	8.55%	9.45%	9.65%	9.86%	10.06%
1991	8.46%	5.42%	7.86%	8.85%	9.09%	9.36%	9.55%
1992 - 2001 Cycle							
1992	6.25%	3.45%	7.01%	8.19%	8.55%	8.69%	8.86%
1993	6.00%	3.02%	5.87%	7.29%	7.44%	7.59%	7.91%
1994	7.15%	4.29%	7.09%	8.07%	8.21%	8.31%	8.63%
1995	8.83%	5.51%	6.57%	7.68%	7.77%	7.89%	8.29%
1996	8.27%	5.02%	6.44%	7.48%	7.57%	7.75%	8.16%
1997	8.44%	5.07%	6.35%	7.43%	7.54%	7.60%	7.95%
1998	8.35%	4.81%	5.26%	6.77%	6.91%	7.04%	7.26%
1999	8.00%	4.66%	5.65%	7.21%	7.51%	7.62%	7.88%
2000	9.23%	5.85%	6.03%	7.88%	8.06%	8.24%	8.36%
2001	6.91%	3.45%	5.02%	7.47%	7.59%	7.78%	8.02%
Current Cycle							
2002	4.67%	1.62%	4.61%	[1]	7.19%	7.37%	8.02%
2003	4.12%	1.02%	4.01%		6.40%	6.58%	6.84%
2004	4.34%	1.38%	4.27%		6.04%	6.16%	6.40%
2005	6.19%	3.16%	4.29%		5.44%	5.65%	5.93%
2006	7.96%	4.73%	4.80%		5.84%	6.07%	6.32%
2007	8.05%	4.41%	4.63%		5.94%	6.07%	6.33%
2008	5.09%	1.48%	3.66%		6.18%	6.53%	7.25%

[1] Note: Moody's has not published Aaa utility bond yields since 2001.

Sources: Council of Economic Advisors, Economic Indicators; Moody's Bond Record; Federal Reserve Bulletin; various issues.

INTEREST RATES

Year	Prime Rate	US Treas T Bills 3 Month	US Treas T Bonds 10 Year	Utility Bonds Aaa	[1]	Utility Bonds Aa	Utility Bonds A	Utility Bonds Baa
2003								
Jan	4.25%	1.17%	4.05%		[1]	6.87%	7.06%	7.47%
Feb	4.25%	1.16%	3.90%			6.66%	6.93%	7.17%
Mar	4.25%	1.13%	3.81%			6.56%	6.79%	7.05%
Apr	4.25%	1.14%	3.96%			6.47%	6.64%	6.94%
May	4.25%	1.08%	3.57%			6.20%	6.36%	6.47%
June	4.00%	0.95%	3.33%			6.12%	6.21%	6.30%
July	4.00%	0.90%	3.98%			6.37%	6.57%	6.67%
Aug	4.00%	0.96%	4.45%			6.48%	6.78%	7.08%
Sept	4.00%	0.95%	4.27%			6.30%	6.56%	6.87%
Oct	4.00%	0.93%	4.29%			6.28%	6.43%	6.79%
Nov	4.00%	0.94%	4.30%			6.26%	6.37%	6.69%
Dec	4.00%	0.90%	4.27%			6.18%	6.27%	6.61%
2004								
Jan	4.00%	0.89%	4.15%			6.06%	6.15%	6.47%
Feb	4.00%	0.92%	4.08%			6.10%	6.15%	6.28%
Mar	4.00%	0.94%	3.83%			5.93%	5.97%	6.12%
Apr	4.00%	0.94%	4.35%			6.33%	6.35%	6.46%
May	4.00%	1.04%	4.72%			6.66%	6.62%	6.75%
June	4.00%	1.27%	4.73%			6.30%	6.46%	6.84%
July	4.25%	1.35%	4.50%			6.09%	6.27%	6.67%
Aug	4.50%	1.48%	4.28%			5.95%	6.14%	6.45%
Sept	4.75%	1.65%	4.13%			5.79%	5.98%	6.27%
Oct	4.75%	1.75%	4.10%			5.74%	5.94%	6.17%
Nov	5.00%	2.06%	4.19%			5.79%	5.97%	6.16%
Dec	5.25%	2.20%	4.23%			5.78%	5.92%	6.10%
2005								
Jan	5.25%	2.32%	4.22%			5.68%	5.78%	5.95%
Feb	5.50%	2.53%	4.17%			5.55%	5.61%	5.76%
Mar	5.75%	2.75%	4.50%			5.76%	5.83%	6.01%
Apr	5.75%	2.79%	4.34%			5.56%	5.64%	5.95%
May	6.00%	2.86%	4.14%			5.39%	5.53%	5.88%
June	6.25%	2.99%	4.00%			5.05%	5.40%	5.70%
July	6.25%	3.22%	4.18%			5.18%	5.51%	5.81%
Aug	6.50%	3.45%	4.26%			5.23%	5.50%	5.80%
Sept	6.75%	3.47%	4.20%			5.27%	5.52%	5.83%
Oct	6.75%	3.70%	4.46%			5.50%	5.79%	6.08%
Nov	7.00%	3.90%	4.54%			5.59%	5.88%	6.19%
Dec	7.25%	3.89%	4.47%			5.55%	5.80%	6.14%
2006								
Jan	7.50%	4.20%	4.42%			5.50%	5.75%	6.06%
Feb	7.50%	4.41%	4.57%			5.55%	5.82%	6.11%
Mar	7.75%	4.51%	4.72%			5.71%	5.98%	6.26%
Apr	7.75%	4.59%	4.99%			6.02%	6.29%	6.54%
May	8.00%	4.72%	5.11%			6.16%	6.42%	6.59%
June	8.25%	4.79%	5.11%			6.16%	6.40%	6.61%
July	8.25%	4.96%	5.09%			6.13%	6.37%	6.61%
Aug	8.25%	4.98%	4.88%			5.97%	6.20%	6.43%
Sept	8.25%	4.82%	4.72%			5.81%	6.00%	6.26%
Oct	8.25%	4.89%	4.73%			5.80%	5.98%	6.24%
Nov	8.25%	4.95%	4.80%			5.81%	5.80%	6.04%
Dec	8.25%	4.85%	4.56%			5.62%	5.81%	6.05%
2007								
Jan	8.25%	4.96%	4.76%			5.78%	5.96%	6.16%
Feb	8.25%	5.02%	4.72%			5.73%	5.90%	6.10%
Mar	8.25%	4.97%	4.56%			5.66%	5.85%	6.10%
Apr	8.25%	4.88%	4.69%			5.83%	5.97%	6.24%
May	8.25%	4.77%	4.75%			5.86%	5.99%	6.23%
June	8.25%	4.63%	5.10%			6.18%	6.30%	6.54%
July	8.25%	4.84%	5.00%			6.11%	6.25%	6.49%
Aug	8.25%	4.34%	4.67%			6.11%	6.24%	6.51%
Sept	7.75%	4.01%	4.52%			6.10%	6.18%	6.45%
Oct	7.50%	3.97%	4.53%			6.04%	6.11%	6.36%
Nov	7.50%	3.49%	4.15%			5.87%	5.97%	6.27%
Dec	7.25%	3.08%	4.10%			6.03%	6.16%	6.51%
2008								
Jan	6.00%	2.86%	3.74%			5.87%	6.02%	6.35%
Feb	6.00%	2.21%	3.74%			6.04%	6.21%	6.60%
Mar	5.25%	1.38%	3.51%			5.99%	6.21%	6.68%
Apr	5.00%	1.32%	3.68%			5.99%	6.29%	6.82%
May	5.00%	1.71%	3.88%			6.07%	6.27%	6.79%
June	5.00%	1.90%	4.10%			6.19%	6.38%	6.93%
July	5.00%	1.72%	4.01%			6.13%	6.40%	6.97%
Aug	5.00%	1.79%	3.89%			6.09%	6.37%	6.98%
Sept	5.00%	1.46%	3.69%			6.13%	6.49%	7.15%
Oct	4.00%	0.84%	3.81%			6.95%	7.56%	8.58%
Nov	4.00%	0.30%	3.53%			6.83%	7.60%	8.98%
Dec	3.25%	0.04%	2.42%			5.93%	6.54%	8.13%
2009								
Jan						6.01%	6.39%	7.90%

[1] Note: Moody's has not published Aaa utility bond yields since 2001.

Sources: Council of Economic Advisors, Economic Indicators; Moody's Bond Record; Federal Reserve Bulletin; various issues.

STOCK PRICE INDICATORS

Year	S&P Composite [1]	NASDAQ Composite [1]	DJIA	S&P D/P	S&P E/P
1975 - 1982 Cycle					
1975			802.49	4.31%	9.15%
1976			974.92	3.77%	8.90%
1977			894.63	4.62%	10.79%
1978			820.23	5.28%	12.03%
1979			844.40	5.47%	13.46%
1980			891.41	5.26%	12.66%
1981			932.92	5.20%	11.96%
1982			884.36	5.81%	11.60%
1983 - 1991 Cycle					
1983			1,190.34	4.40%	8.03%
1984			1,178.48	4.64%	10.02%
1985			1,328.23	4.25%	8.12%
1986			1,792.76	3.49%	6.09%
1987			2,275.99	3.08%	5.48%
1988	[1]	[1]	2,060.82	3.64%	8.01%
1989	322.84		2,508.91	3.45%	7.41%
1990	334.59		2,678.94	3.61%	6.47%
1991	376.18	491.69	2,929.33	3.24%	4.79%
1992 - 2001 Cycle					
1992	\$415.74	\$599.26	3,284.29	2.99%	4.22%
1993	\$451.21	715.16	3,522.06	2.78%	4.46%
1994	\$460.42	751.65	3,793.77	2.82%	5.83%
1995	541.72	925.19	4,493.76	2.56%	6.09%
1996	670.50	1,164.96	5,742.89	2.19%	5.24%
1997	873.43	1,469.49	7,441.15	1.77%	4.57%
1998	1,085.50	1,794.91	8,625.52	1.49%	3.46%
1999	1,327.33	2,728.15	10,464.88	1.25%	3.17%
2000	1,427.22	3,783.67	10,734.90	1.15%	3.63%
2001	1,194.18	2,035.00	10,189.13	1.32%	2.95%
Current Cycle					
2002	993.94	1,539.73	9,226.43	1.61%	2.92%
2003	965.23	1,647.17	8,993.59	1.77%	3.84%
2004	1,130.65	1,986.53	10,317.39	1.72%	4.89%
2005	1,207.23	2,099.32	10,547.67	1.83%	5.36%
2006	1,310.46	2,263.41	11,408.67	1.87%	5.78%
2007	1,477.19	2,578.47	13,169.98	1.86%	5.29%
2008	1,220.04	2,161.65	11,252.62	2.37%	

[1] Note: this source did not publish the S&P Composite prior to 1988 and the NASDAQ Composite prior to 1991.

STOCK PRICE INDICATORS

YEAR	S&P Composite	NASDAQ Composite	DJIA	S&P D/P	S&P E/P
2002					
1st Qtr.	1,131.56	1,879.85	10,105.27	1.39%	2.15%
2nd Qtr.	1,068.45	1,641.53	9,912.70	1.49%	2.70%
3rd Qtr.	894.65	1,308.17	8,487.59	1.76%	3.68%
4th Qtr.	887.91	1,346.07	8,400.17	1.79%	3.14%
2003					
1st Qtr.	860.03	1,350.44	8,122.83	1.89%	3.57%
2nd Qtr.	938.00	1,521.92	8,684.52	1.75%	3.55%
3rd Qtr.	1,000.50	1,765.96	9,310.57	1.74%	3.87%
4th Qtr.	1,056.42	1,934.71	9,856.44	1.69%	4.38%
2004					
1st Qtr.	1,133.29	2,041.95	10,488.43	1.64%	4.62%
2nd Qtr.	1,122.87	1,984.13	10,289.04	1.71%	4.92%
3rd Qtr.	1,104.15	1,872.90	10,129.85	1.79%	5.18%
4th Qtr.	1,162.07	2,050.22	10,362.25	1.75%	4.83%
2005					
1st Qtr.	1,191.98	2,056.01	10,648.48	1.77%	5.11%
2nd Qtr.	1,181.65	2,012.24	10,382.35	1.85%	5.32%
3rd Qtr.	1,225.91	2,144.61	10,532.24	1.83%	5.42%
4th Qtr.	1,262.07	2,246.09	10,827.79	1.86%	5.60%
2006					
1st Qtr.	1,283.04	2,287.97	10,996.04	1.85%	5.61%
2nd Qtr.	1,281.77	2,240.46	11,188.84	1.90%	5.86%
3rd Qtr.	1,288.40	2,141.97	11,274.49	1.91%	5.88%
4th Qtr.	1,389.48	2,390.26	12,175.30	1.81%	5.75%
2007					
1st Qtr.	1,425.30	2,444.85	12,470.97	1.84%	5.85%
2nd Qtr.	1,496.43	2,552.37	13,214.26	1.82%	5.65%
3rd Qtr.	1,490.81	2,609.68	13,488.43	1.86%	5.15%
4th Qtr.	1,494.09	2,701.59	13,502.95	1.91%	4.51%
2008					
1st Qtr.	1,350.19	2,332.91	12,383.86	2.11%	4.55%
2nd Qtr.	1,371.65	2,426.26	12,508.59	2.10%	4.01%
3rd Qtr.	1,251.94	2,290.87	11,322.40	2.29%	3.94%
4th Qtr.	909.80	1,599.64	8,795.61	2.98%	

[1] Note: this source did not publish the S&P Composite prior to 1988 and the NASDAQ Composite prior to 1991.

Source: Council of Economic Advisors, Economic Indicators, various issues.

**AMERICAN WATER WORKS
CAPITAL STRUCTURE RATIOS
2006 - 2008**

YEAR	COMMON EQUITY	PREFERRED STOCK	LONG-TERM DEBT	SHORT-TERM DEBT
2006	\$3,817,397 39.4% 43.9%	\$1,779,043 18.3% 20.5%	\$3,096,404 31.9% 35.6%	\$1,007,128 10.4%
2007	\$4,542,046 47.5% 49.1%	\$28,864 0.3% 0.3%	\$4,674,837 48.9% 50.6%	\$316,969 3.3%
Sept. 30, 2008	\$4,162,357 44.8% 47.0%	\$28,774	\$4,669,502 50.3% 52.7%	\$423,021 4.6%

Source: American Water Capital Corp. Prospectus for Senior Notes dated November 21, 2008.

**PROXY WATER UTILITIES
COMMON EQUITY RATIOS**

COMPANY	2003	2004	2005	2006	2007
Value Line Water Group					
American States Water Co.	43%	48%	47%	50%	50%
Aqua America, Inc.	44%	45%	44%	38%	43%
California Water Service Group	46%	51%	51%	55%	57%
Southwest Water Co.	51%	63%	53%	56%	52%
Average	46%	52%	49%	50%	51%
AUS Utility Reports Group					
American States Water Co.	43%	48%	47%	50%	50%
Aqua America, Inc.	44%	45%	44%	38%	43%
Artesian Resources Corp.	37%	36%	38%	38%	48%
California Water Service Group	46%	51%	51%	55%	57%
Connecticut Water Service, Inc.	52%	53%	55%	54%	50%
Middlesex Water	41%	46%	42%	49%	48%
SJW Corporation	54%	56%	57%	56%	52%
Southwest Water Co.	51%	63%	53%	56%	52%
York Water Company	50%	48%	46%	51%	48%
Average	46%	50%	48%	50%	50%
Villadsen Water Sample					
American States Water Co.	43%	48%	47%	50%	50%
Aqua America, Inc.	44%	45%	44%	38%	43%
California Water Service Group	46%	51%	51%	55%	57%
Connecticut Water Service, Inc.	52%	53%	55%	54%	50%
Middlesex Water	41%	46%	42%	49%	48%
SJW Corporation	54%	56%	57%	56%	52%
Southwest Water Co.	51%	63%	53%	56%	52%
York Water Company	50%	48%	46%	51%	48%
Average	48%	51%	49%	51%	50%

Source: AUS Utility Reports.

PROXY WATER UTILITIES DIVIDEND YIELD

COMPANY	DPS	November, 2008 - January, 2009			YIELD
		HIGH	LOW	AVERAGE	
Value Line Water Group					
American States Water Co.	\$1.00	\$35.72	\$27.56	\$31.64	3.2%
Aqua America, Inc.	\$0.54	\$22.00	\$17.07	\$19.54	2.8%
California Water Service Group	\$1.17	\$48.28	\$35.81	\$42.05	2.8%
Southwest Water Co.	\$0.10	\$8.74	\$2.67	\$5.71	1.8%
Average					2.6%
AUS Utility Reports Group					
American States Water Co.	\$1.00	\$35.72	\$27.56	\$31.64	3.2%
Aqua America, Inc.	\$0.54	\$22.00	\$17.07	\$19.54	2.8%
Artesian Resources Corp.	\$0.71	\$16.91	\$13.82	\$15.37	4.6%
California Water Service Group	\$1.17	\$48.28	\$35.81	\$42.05	2.8%
Connecticut Water Service, Inc.	\$0.89	\$26.99	\$19.26	\$23.13	3.9%
Middlesex Water	\$0.71	\$17.93	\$12.05	\$14.99	4.7%
SJW Corporation	\$0.64	\$30.44	\$20.41	\$25.43	2.5%
Southwest Water Co.	\$0.10	\$8.74	\$2.67	\$5.71	1.8%
York Water Company	\$0.50	\$13.50	\$10.50	\$12.00	4.2%
Average					3.4%
Villadsen Water Sample					
American States Water Co.	\$1.00	\$35.72	\$27.56	\$31.64	3.2%
Aqua America, Inc.	\$0.54	\$22.00	\$17.07	\$19.54	2.8%
California Water Service Group	\$1.17	\$48.28	\$35.81	\$42.05	2.8%
Connecticut Water Service, Inc.	\$0.89	\$26.99	\$19.26	\$23.13	3.9%
Middlesex Water	\$0.71	\$17.93	\$12.05	\$14.99	4.7%
SJW Corporation	\$0.64	\$30.44	\$20.41	\$25.43	2.5%
Southwest Water Co.	\$0.10	\$8.74	\$2.67	\$5.71	1.8%
York Water Company	\$0.50	\$13.50	\$10.50	\$12.00	4.2%
Average					3.2%

Source: Yahoo! Finance.

**PROXY WATER UTILITIES
RETENTION GROWTH RATES**

COMPANY	2003	2004	2005	2006	2007	Average	2008	2009	'11-'13	Average
Value Line Water Group										
American States Water Co.	-0.7%	1.2%	3.3%	2.6%	3.8%	2.0%	2.5%	3.5%	6.5%	4.2%
Aqua America, Inc.	4.8%	4.8%	5.0%	4.1%	3.2%	4.4%	3.5%	3.5%	3.0%	3.3%
California Water Service Group	0.7%	2.2%	2.1%	1.1%	1.1%	1.4%	4.0%	5.0%	6.0%	5.0%
Southwest Water Co.	6.5%	1.5%	2.2%	2.7%	-1.3%	2.3%				
Average						2.5%				4.2%
AUS Utility Reports Group										
American States Water Co.	-0.7%	1.2%	3.3%	2.6%	3.8%	2.0%	2.5%	3.5%	6.5%	4.2%
Aqua America, Inc.	4.8%	4.8%	5.0%	4.1%	3.2%	4.4%	3.5%	3.5%	3.0%	3.3%
Artesian Resources Corp.	1.5%	2.0%	2.8%	4.0%	2.4%	2.5%				
California Water Service Group	0.7%	2.2%	2.1%	1.1%	1.1%	1.4%	4.0%	5.0%	6.0%	5.0%
Connecticut Water Service, Inc.	3.0%	3.1%	0.6%	-0.4%	1.6%	1.6%				
Middlesex Water	-0.5%	0.8%	0.5%	1.5%	1.8%	0.8%				
SJW Corporation	4.5%	4.7%	6.1%	9.5%	3.4%	5.6%				
Southwest Water Co.	6.5%	1.5%	2.2%	2.7%	-1.3%	2.3%				
York Water Company	2.5%	2.5%	3.0%	2.4%	1.5%	2.4%				
Average						2.6%				4.2%
Villadsen Water Sample										
American States Water Co.	-0.7%	1.2%	3.3%	2.6%	3.8%	2.0%	2.5%	3.5%	6.5%	4.2%
Aqua America, Inc.	4.8%	4.8%	5.0%	4.1%	3.2%	4.4%	3.5%	3.5%	3.0%	3.3%
California Water Service Group	0.7%	2.2%	2.1%	1.1%	1.1%	1.4%	4.0%	5.0%	6.0%	5.0%
Connecticut Water Service, Inc.	3.0%	3.1%	0.6%	-0.4%	1.6%	1.6%				
Middlesex Water	-0.5%	0.8%	0.5%	1.5%	1.8%	0.8%				
SJW Corporation	4.5%	4.7%	6.1%	9.5%	3.4%	5.6%				
Southwest Water Co.	6.5%	1.5%	2.2%	2.7%	-1.3%	2.3%				
York Water Company	2.5%	2.5%	3.0%	2.4%	1.5%	2.4%				
Average						2.6%				4.2%

Source: AUS Utility Reports and Value Line Investment Survey.

**PROXY WATER UTILITIES
PER SHARE GROWTH RATES**

COMPANY	5-Year Historic Growth Rates				Est'd '05-'07 to '11-'13 Growth Rates			
	EPS	DPS	BVPS	Average	EPS	DPS	BVPS	Average
Value Line Water Group								
American States Water Co.	3.9%	2.0%	4.5%	3.5%	11.0%	5.0%	2.5%	6.2%
Aqua America, Inc.	5.6%	8.5%	10.9%	8.3%	7.5%	5.5%	5.5%	6.2%
California Water Service Group	3.7%	0.7%	7.1%	3.8%	10.0%	2.0%	4.0%	5.3%
Southwest Water Co.	-4.5%	8.9%	7.0%	3.8%				
Average				4.9%				5.9%
AUS Utility Reports Group								
American States Water Co.	3.9%	2.0%	4.5%	3.5%	11.0%	5.0%	2.5%	6.2%
Aqua America, Inc.	5.6%	8.5%	10.9%	8.3%	7.5%	5.5%	5.5%	6.2%
Artesian Resources Corp.	3.4%	5.3%	7.0%	5.2%				
California Water Service Group	3.7%	0.7%	7.1%	3.8%	10.0%	2.0%	4.0%	5.3%
Connecticut Water Service, Inc.	-0.4%	1.2%	3.6%	1.5%				
Middlesex Water	3.6%	1.8%	6.3%	3.9%				
SJW Corporation	5.9%	5.8%	9.0%	6.9%				
Southwest Water Co.	-4.5%	8.9%	7.0%	3.8%				
York Water Company	7.3%	6.5%	8.9%	7.6%				
Average				4.9%				5.9%
Villadsen Water Sample								
American States Water Co.	3.9%	2.0%	4.5%	3.5%	11.0%	5.0%	2.5%	6.2%
Aqua America, Inc.	5.6%	8.5%	10.9%	8.3%	7.5%	5.5%	5.5%	6.2%
California Water Service Group	3.7%	0.7%	7.1%	3.8%	10.0%	2.0%	4.0%	5.3%
Connecticut Water Service, Inc.	-0.4%	1.2%	3.6%	1.5%				
Middlesex Water	3.6%	1.8%	6.3%	3.9%				
SJW Corporation	5.9%	5.8%	9.0%	6.9%				
Southwest Water Co.	-4.5%	8.9%	7.0%	3.8%				
York Water Company	7.3%	6.5%	8.9%	7.6%				
Average				4.9%				5.9%

Source: AUS Utility Reports and Value Line Investment Survey.

**PROXY WATER UTILITIES
DCF COST RATES**

COMPANY	ADJUSTED YIELD	HISTORIC RETENTION GROWTH	PROSPECTIVE RETENTION GROWTH	HISTORIC PER SHARE GROWTH	PROSPECTIVE PER SHARE GROWTH	FIRST CALL EPS GROWTH	AVERAGE GROWTH	DCF RATES
Value Line Water Group								
American States Water Co.	3.2%	2.0%	4.2%	3.5%	6.2%	4.0%	4.0%	7.2%
Aqua America, Inc.	2.8%	4.4%	3.3%	8.3%	6.2%	7.5%	5.9%	8.8%
California Water Service Group	2.9%	1.4%	5.0%	3.8%	5.3%	10.0%	5.1%	8.0%
Southwest Water Co.	1.8%	2.3%		3.8%		5.0%	3.7%	5.5%
Mean	2.7%	2.5%	4.2%	4.9%	5.9%	6.6%	4.7%	7.4%
Median	2.9%	2.2%	4.2%	3.8%	6.2%	6.3%	4.5%	7.6%
Composite-Mean		5.2%	6.8%	7.5%	8.6%	9.3%	7.4%	
Composite-Median		5.0%	7.0%	6.7%	9.0%	9.1%	7.4%	
AUS Utility Reports Group								
American States Water Co.	3.2%	2.0%	4.2%	3.5%	6.2%	4.0%	4.0%	7.2%
Aqua America, Inc.	2.8%	4.4%	3.3%	8.3%	6.2%	7.5%	5.9%	8.8%
Artesian Resources Corp.	4.7%	2.5%		5.2%		5.0%	4.2%	9.0%
California Water Service Group	2.9%	1.4%	5.0%	3.8%	5.3%	10.0%	5.1%	8.0%
Connecticut Water Service, Inc.	4.0%	1.6%		1.5%		15.0%	6.0%	10.0%
Middlesex Water	4.9%	0.8%		3.9%		8.0%	4.2%	9.1%
SJW Corporation	2.6%	5.6%		6.9%		10.0%	7.5%	10.1%
Southwest Water Co.	1.8%	2.3%		3.8%		5.0%	3.7%	5.5%
York Water Company	4.3%	2.4%		7.6%		8.0%	6.0%	10.3%
Mean	3.5%	2.6%	4.2%	4.9%	5.9%	8.1%	5.2%	8.7%
Median	3.2%	2.3%	4.2%	3.9%	6.2%	8.0%	5.1%	9.0%
Composite-Mean		6.0%	7.6%	8.4%	9.4%	11.5%	8.7%	
Composite-Median		5.5%	7.4%	7.1%	9.4%	11.2%	8.3%	
Villadsen Water Sample								
American States Water Co.	3.2%	2.0%	4.2%	3.5%	6.2%	4.0%	4.0%	7.2%
Aqua America, Inc.	2.8%	4.4%	3.3%	8.3%	6.2%	7.5%	5.9%	8.8%
California Water Service Group	2.9%	1.4%	5.0%	3.8%	5.3%	10.0%	5.1%	8.0%
Connecticut Water Service, Inc.	4.0%	1.6%		1.5%		15.0%	6.0%	10.0%
Middlesex Water	4.9%	0.8%		3.9%		8.0%	4.2%	9.1%
SJW Corporation	2.6%	5.6%		6.9%		10.0%	7.5%	10.1%
Southwest Water Co.	1.8%	2.3%		3.8%		5.0%	3.7%	5.5%
York Water Company	4.3%	2.4%		7.6%		8.0%	6.0%	10.3%
Mean	3.3%	2.6%	4.2%	4.9%	5.9%	8.4%	5.3%	8.6%
Median	3.0%	2.2%	4.2%	3.9%	6.2%	8.0%	5.5%	8.9%
Composite-Mean		5.9%	7.5%	8.2%	9.2%	11.7%	8.6%	
Composite-Median		5.2%	7.2%	6.9%	9.2%	11.0%	8.6%	

Note: negative average growth rates excluded from above DCF analyses.

**STANDARD & POOR'S 500 COMPOSITE
20-YEAR U.S. TREASURY BOND YIELDS
RISK PREMIUMS**

Year	EPS	BVPS	ROE	20-YEAR T-BOND	RISK PREMIUM
1977		\$79.07			
1978	\$12.33	\$85.35	15.00%	7.90%	7.10%
1979	\$14.86	\$94.27	16.55%	8.86%	7.69%
1980	\$14.82	\$102.48	15.06%	9.97%	5.09%
1981	\$15.36	\$109.43	14.50%	11.55%	2.95%
1982	\$12.64	\$112.46	11.39%	13.50%	-2.11%
1983	\$14.03	\$116.93	12.23%	10.38%	1.85%
1984	\$16.64	\$122.47	13.90%	11.74%	2.16%
1985	\$14.61	\$125.20	11.80%	11.25%	0.55%
1986	\$14.48	\$126.82	11.49%	8.98%	2.51%
1987	\$17.50	\$134.04	13.42%	7.92%	5.50%
1988	\$23.75	\$141.32	17.25%	8.97%	8.28%
1989	\$22.87	\$147.26	15.85%	8.81%	7.04%
1990	\$21.73	\$153.01	14.47%	8.19%	6.28%
1991	\$16.29	\$158.85	10.45%	8.22%	2.23%
1992	\$19.09	\$149.74	12.37%	7.26%	5.11%
1993	\$21.89	\$180.88	13.24%	7.17%	6.07%
1994	\$30.60	\$193.06	16.37%	6.59%	9.78%
1995	\$33.96	\$215.51	16.62%	7.60%	9.02%
1996	\$38.73	\$237.08	17.11%	6.18%	10.93%
1997	\$39.72	\$249.52	16.33%	6.64%	9.69%
1998	\$37.71	\$266.40	14.62%	5.83%	8.79%
1999	\$48.17	\$290.68	17.29%	5.57%	11.72%
2000	\$50.00	\$325.80	16.22%	6.50%	9.72%
2001	\$24.69	\$338.37	7.43%	5.53%	1.90%
2002	\$27.59	\$321.72	8.36%	5.59%	2.77%
2003	\$48.73	\$367.17	14.15%	4.80%	9.35%
2004	\$58.55	\$414.75	14.98%	5.02%	9.96%
2005	\$69.93	\$453.06	16.12%	4.69%	11.43%
2006	\$81.51	\$504.39	17.03%	4.68%	12.35%
2007	\$66.17	\$529.59	12.80%	4.86%	7.94%
Average			14.09%	7.69%	6.45%

Sources: Standard & Poor's Analysts' Handbook and Morningstar 2008 Yearbook.

**PROXY WATER UTILITIES
CAPM COST RATES**

COMPANY	RISK-FREE RATE	BETA	RISK PREMIUM	CAPM RATES
Value Line Water Group				
American States Water Co.	3.64%	0.95	5.90%	9.2%
Aqua America, Inc.	3.64%	0.90	5.90%	9.0%
California Water Service Group	3.64%	1.05	5.90%	9.8%
Southwest Water Co.	3.64%	1.10	5.90%	10.1%
Mean				9.5%
Median				9.5%
AUS Utility Reports Group				
American States Water Co.	3.64%	0.95	5.90%	9.2%
Aqua America, Inc.	3.64%	0.90	5.90%	9.0%
Artesian Resources Corp.	3.64%		5.90%	
California Water Service Group	3.64%	1.05	5.90%	9.8%
Connecticut Water Service, Inc.	3.64%	0.80	5.90%	8.4%
Middlesex Water	3.64%	0.80	5.90%	8.4%
SJW Corporation	3.64%	1.05	5.90%	9.8%
Southwest Water Co.	3.64%	1.05	5.90%	9.8%
York Water Company	3.64%	0.65	5.90%	7.5%
Mean				9.0%
Median				9.1%
Villadsen Water Sample				
American States Water Co.	3.64%	0.95	5.90%	9.2%
Aqua America, Inc.	3.64%	0.90	5.90%	9.0%
California Water Service Group	3.64%	1.05	5.90%	9.8%
Connecticut Water Service, Inc.	3.64%	0.80	5.90%	8.4%
Middlesex Water	3.64%	0.80	5.90%	8.4%
SJW Corporation	3.64%	1.05	5.90%	9.8%
Southwest Water Co.	3.64%	1.05	5.90%	9.8%
York Water Company	3.64%	0.65	5.90%	7.5%
Mean				9.0%
Median				9.1%

Sources: Value Line Investment Survey, Standard & Poor's Analysts' Handbook, Morningstar 2008 Yearbook.

PROXY WATER UTILITIES
RATES OF RETURN ON AVERAGE COMMON EQUITY

COMPANY	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1992-2001 Average	2003-2007 Average	2008	2009	2011-2013
Value Line Water Group																					
American States Water Co.	14.0%	11.7%	9.5%	10.0%	10.0%	9.4%	9.5%	10.2%	9.6%	10.5%	9.6%	5.6%	8.0%	10.4%	8.2%	9.3%	10.4%	8.3%	8.0%	9.0%	12.5%
Aqua America, Inc.	11.0%	11.4%	11.2%	12.0%	11.8%	12.5%	14.2%	13.8%	13.0%	14.0%	13.9%	12.3%	11.4%	11.5%	11.0%	10.0%	12.5%	11.2%	10.0%	11.0%	11.0%
California Water Service Group	10.4%	12.6%	10.6%	10.0%	12.6%	14.5%	11.0%	11.4%	10.3%	7.5%	9.6%	8.7%	9.8%	9.3%	7.6%	4.9%	11.1%	8.1%	10.0%	11.0%	12.5%
Southwest Water Co.	8.0%	0.4%	3.7%	5.0%	6.5%	8.3%	10.0%	15.5%	12.2%	12.0%	12.1%	10.2%	6.8%	5.4%	5.6%	-5.0%	8.2%	4.6%			
Mean	10.9%	9.0%	8.8%	9.3%	10.2%	11.2%	11.2%	12.7%	11.3%	11.0%	11.3%	9.2%	9.0%	9.1%	8.1%	4.8%	10.5%	8.0%	9.3%	10.3%	12.0%
Median	10.7%	11.6%	10.1%	10.0%	10.9%	11.0%	10.5%	12.6%	11.3%	11.3%	10.9%	9.5%	8.9%	9.9%	7.9%	7.1%	11.0%	8.6%	10.0%	11.0%	12.5%
AUS Utility Reports Group																					
American States Water Co.	14.0%	11.7%	9.5%	10.0%	10.0%	9.4%	9.5%	10.2%	9.6%	10.5%	9.6%	5.6%	8.0%	10.4%	8.2%	9.3%	10.4%	8.3%	8.0%	9.0%	12.5%
Aqua America, Inc.	11.0%	11.4%	11.2%	12.0%	11.8%	12.5%	14.2%	13.8%	13.0%	14.0%	13.9%	12.3%	11.4%	11.5%	11.0%	10.0%	12.5%	11.2%	10.0%	11.0%	11.0%
Artesian Resources Corp.	10.4%	12.6%	10.6%	10.0%	12.6%	14.5%	11.0%	11.4%	10.3%	7.5%	9.6%	8.7%	9.8%	9.3%	7.6%	4.9%	11.1%	8.1%	10.0%	11.0%	12.5%
California Water Service Group	12.1%	12.5%	12.6%	12.7%	12.4%	12.3%	12.2%	12.4%	11.8%	13.3%	11.8%	11.2%	11.4%	12.0%	7.5%	8.9%	12.4%	10.2%			
Connecticut Water Service, Inc.	11.7%	12.6%	12.1%	12.0%	10.3%	11.2%	10.7%	10.2%	6.5%	9.0%	9.6%	8.2%	8.3%	8.4%	8.6%	8.3%	10.6%	8.5%			
Middlesex Water	11.8%	11.8%	9.6%	10.8%	16.2%	12.0%	11.6%	11.1%	9.6%	12.0%	12.1%	10.2%	6.8%	11.5%	18.2%	8.3%	11.4%	11.8%			
SJW Corporation	8.0%	0.4%	3.7%	5.0%	6.5%	8.3%	10.0%	15.5%	12.2%	12.0%	12.1%	10.2%	6.8%	5.4%	5.6%	-5.0%	8.2%	4.6%			
Southwest Water Co.	11.9%	12.6%	11.7%	10.7%	11.1%	10.9%	10.3%	10.3%	11.9%	11.5%	16.7%	11.7%	12.2%	11.8%	10.5%	9.7%	11.3%	11.2%			
York Water Company																					
Mean	11.4%	10.7%	10.1%	10.4%	11.4%	11.4%	11.0%	11.6%	10.3%	10.7%	11.4%	9.5%	9.6%	9.9%	9.7%	7.0%	11.0%	9.2%	9.3%	10.3%	12.0%
Median	11.8%	12.2%	10.9%	10.8%	11.5%	11.6%	10.7%	11.1%	10.3%	10.5%	9.8%	9.8%	9.8%	10.4%	8.8%	8.8%	11.1%	9.5%	10.0%	11.0%	12.5%
Villadsen Water Sample																					
American States Water Co.	14.0%	11.7%	9.5%	10.0%	10.0%	9.4%	9.5%	10.2%	9.6%	10.5%	9.6%	5.6%	8.0%	10.4%	8.2%	9.3%	10.4%	8.3%	8.0%	9.0%	12.5%
Aqua America, Inc.	11.0%	11.4%	11.2%	12.0%	11.8%	12.5%	14.2%	13.8%	13.0%	14.0%	13.9%	12.3%	11.4%	11.5%	11.0%	10.0%	12.5%	11.2%	10.0%	11.0%	11.0%
California Water Service Group	10.4%	12.6%	10.6%	10.0%	12.6%	14.5%	11.0%	11.4%	10.3%	7.5%	9.6%	8.7%	9.8%	9.3%	7.6%	4.9%	11.1%	8.1%	10.0%	11.0%	12.5%
Connecticut Water Service, Inc.	12.1%	12.5%	12.6%	12.7%	12.4%	12.3%	12.2%	12.4%	11.8%	13.3%	11.8%	11.2%	11.4%	12.0%	7.5%	8.9%	12.4%	10.2%			
Middlesex Water	11.7%	12.6%	12.1%	12.0%	10.3%	11.2%	10.7%	10.2%	6.5%	9.0%	9.6%	8.2%	8.3%	8.4%	8.6%	8.8%	10.6%	8.5%			
SJW Corporation	11.8%	11.8%	9.6%	10.8%	16.2%	12.0%	11.6%	11.1%	9.6%	12.0%	12.1%	10.2%	6.8%	11.5%	18.2%	8.3%	11.4%	11.8%			
Southwest Water Co.	8.0%	0.4%	3.7%	5.0%	6.5%	8.3%	10.0%	15.5%	12.2%	12.0%	12.1%	10.2%	6.8%	5.4%	5.6%	-5.0%	8.2%	4.6%			
York Water Company	11.9%	12.6%	11.7%	10.7%	11.1%	10.9%	10.3%	10.3%	11.9%	11.5%	16.7%	11.7%	12.2%	11.8%	10.5%	9.7%	11.3%	11.2%			
Mean	11.4%	10.7%	10.1%	10.4%	11.4%	11.4%	11.2%	11.9%	10.6%	10.9%	11.6%	9.7%	9.9%	10.0%	9.7%	6.9%	11.0%	9.2%	9.3%	10.3%	12.0%
Median	11.8%	12.2%	10.9%	10.8%	11.5%	11.6%	10.9%	11.3%	11.1%	11.0%	10.7%	10.0%	10.6%	11.0%	8.4%	8.9%	11.3%	9.8%	10.0%	11.0%	12.5%

Source: AUS Utility Reports and Value Line Investment Survey.

PROXY WATER UTILITIES
MARKET TO BOOK RATIOS

COMPANY	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1992-2007 Average	2003-2007 Average
Value Line Water Group																		
American States Water Co.	142%	156%	124%	120%	134%	137%	148%	177%	168%	182%	176%	178%	181%	230%	205%	209%	149%	201%
Aqua America, Inc.	140%	158%	151%	124%	188%	237%	313%	287%	302%	365%	304%	280%	307%	438%	332%	259%	227%	323%
California Water Service Group	147%	172%	157%	140%	160%	191%	207%	191%	189%	201%	199%	188%	219%	264%	223%	219%	176%	223%
Southwest Water Co.	118%	112%	85%	75%	109%	153%	174%	223%	265%	240%	202%	250%	150%	241%	201%	172%	156%	204%
Mean	137%	150%	129%	115%	148%	180%	211%	222%	231%	247%	220%	224%	218%	263%	240%	215%	177%	238%
Median	141%	157%	138%	122%	147%	172%	191%	213%	228%	221%	201%	220%	200%	253%	214%	214%	173%	220%
AUS Utility Reports Group																		
American States Water Co.	142%	156%	124%	120%	134%	137%	148%	177%	168%	182%	176%	178%	181%	230%	205%	209%	149%	201%
Aqua America, Inc.	140%	158%	151%	124%	188%	237%	313%	287%	302%	365%	304%	280%	307%	438%	332%	259%	227%	323%
California Water Service Group	147%	172%	157%	140%	160%	191%	207%	191%	189%	201%	199%	188%	219%	264%	223%	219%	176%	223%
Connecticut Water Service, Inc.	162%	180%	154%	149%	156%	168%	193%	203%	186%	201%	198%	185%	218%	264%	223%	199%	191%	225%
Middlesex Water	111%	184%	169%	150%	150%	164%	176%	218%	222%	248%	275%	265%	235%	214%	211%	184%	179%	211%
SJW Corporation	113%	124%	117%	105%	113%	137%	137%	163%	195%	162%	185%	193%	175%	240%	307%	238%	139%	230%
Southwest Water Co.	118%	112%	85%	75%	109%	153%	174%	223%	265%	240%	202%	250%	156%	241%	201%	172%	156%	204%
York Water Company	169%	174%	87%	197%	195%	228%	186%	174%	154%	284%	277%	335%	275%	387%	309%	266%	186%	310%
Mean	138%	158%	131%	133%	151%	176%	189%	207%	208%	241%	219%	240%	217%	269%	240%	210%	175%	235%
Median	141%	165%	138%	132%	153%	166%	179%	202%	195%	240%	202%	250%	214%	240%	211%	209%	171%	225%
Villadsen Water Sample																		
American States Water Co.	142%	156%	124%	120%	134%	137%	148%	177%	168%	182%	176%	178%	181%	230%	205%	209%	149%	201%
Aqua America, Inc.	140%	158%	151%	124%	188%	237%	313%	287%	302%	365%	304%	280%	307%	438%	332%	259%	227%	323%
California Water Service Group	147%	172%	157%	140%	160%	191%	207%	191%	189%	201%	199%	188%	219%	264%	223%	219%	176%	223%
Connecticut Water Service, Inc.	162%	180%	154%	149%	156%	168%	193%	203%	186%	201%	198%	185%	218%	264%	223%	199%	191%	225%
Middlesex Water	111%	184%	169%	150%	150%	164%	176%	218%	222%	248%	275%	265%	235%	214%	211%	184%	179%	211%
SJW Corporation	113%	124%	117%	105%	113%	137%	137%	163%	195%	162%	185%	193%	175%	240%	307%	238%	139%	230%
Southwest Water Co.	118%	112%	85%	75%	109%	153%	174%	223%	265%	240%	202%	250%	156%	241%	201%	172%	156%	204%
York Water Company	169%	174%	87%	197%	195%	228%	186%	174%	154%	284%	277%	335%	275%	387%	309%	266%	186%	310%
Mean	137%	157%	131%	133%	151%	176%	189%	212%	215%	248%	227%	245%	220%	278%	248%	218%	178%	241%
Median	142%	172%	138%	132%	153%	166%	185%	210%	209%	244%	214%	258%	216%	241%	217%	214%	175%	229%

Source: AUS Utility Reports and Value Line Investment Survey.

**STANDARD & POOR'S 500 COMPOSITE
RETURNS AND MARKET-TO-BOOK RATIOS
1992 - 2007**

YEAR	RETURN ON AVERAGE EQUITY	MARKET-TO BOOK RATIO
1992	12.2%	271%
1993	13.2%	272%
1994	16.4%	246%
1995	16.6%	264%
1996	17.1%	299%
1997	16.3%	354%
1998	14.6%	421%
1999	17.3%	481%
2000	16.2%	453%
2001	7.5%	353%
2002	8.4%	296%
2003	14.2%	278%
2004	15.0%	291%
2005	16.1%	278%
2006	17.0%	277%
2007	12.8%	284%
Averages:		
1992-2001	14.7%	341%
2003-2007	15.0%	282%

Source: Standard & Poor's Analyst's Handbook, 2008 edition, page 1.

RISK INDICATORS

GROUP	VALUE LINE SAFETY	VALUE LINE BETA	VALUE LINE FIN STR	S & P STK RANK
S & P's 500 Composite	2.7	1.05	B++	B+
Value Line Water Group	3.0	0.99	B+	B+/A-
AUS Utility Reports Group	2.6	0.91	B+	B+/A-
Villadsen Water Sample	2.6	0.91	B+	B+/A-

Sources: Value Line Investment Survey, Standard & Poor's Stock Guide.

Definitions:

Safety rankings are in a range of 1 to 5, with 1 representing the highest safety or lowest risk.

Beta reflects the variability of a particular stock, relative to the market as a whole. A stock with a beta of 1.0 moves in concert with the market, a stock with a beta below 1.0 is less variable than the market, and a stock with a beta above 1.0 is more variable than the market.

Financial strengths range from C to A++, with the latter representing the highest level.

Common stock rankings range from D to A+, with the later representing the highest level.

RISK INDICATORS

COMPANY	VALUE LINE SAFETY	VALUE LINE BETA	VALUE LINE FINANCIAL STRENGTH		S&P STOCK RANKING	
Value Line Water Group						
American States Water Co.	3	0.95	B++	3.67	B+	3.33
Aqua America, Inc.	3	0.90	B+	3.33	A	4.00
California Water Service Group	3	1.05	B++	3.67	B+	3.33
Southwest Water Co.	3	1.05	B	3.00	B+	3.33
Average	3.0	0.99	B+	3.42	B+/A-	3.50
AUS Utility Reports Group						
American States Water Co.	3	0.95	B++	3.67	B+	3.33
Aqua America, Inc.	3	0.90	B+	3.33	A	4.00
Artesian Resources Corp.						
California Water Service Group	3	1.05	B++	3.67	B+	3.33
Connecticut Water Service, Inc.	2	0.80	B+	3.33	A-	3.67
Middlesex Water	2	0.80	B+	3.33	B+	3.33
SJW Corporation	3	1.05	B+	3.33	A-	3.67
Southwest Water Co.	3	1.05	B	3.00	B+	3.33
York Water Company	2	0.65	B++	3.67		
Average	2.6	0.91	B+	3.42	B+/A-	3.52
Villadsen Water Sample						
American States Water Co.	3.0	0.95	B++	3.67	B+	3.33
Aqua America, Inc.	3.0	0.90	B+	3.33	A	4.00
California Water Service Group	3.0	1.05	B++	3.67	B+	3.33
Connecticut Water Service, Inc.	2.0	0.80	B+	3.33	A-	3.67
Middlesex Water	2.0	0.80	B+	3.33	B+	3.33
SJW Corporation	3.0	1.05	B+	3.33	A-	3.67
Southwest Water Co.	3.0	1.05	B	3.00	B+	3.33
York Water Company	2.0	0.65	B+	3.33		
Average	2.6	0.91	B+	3.37	B+/A-	3.52

Sources: Standard & Poor's Stock Guide and Value Line Investment Survey.

ARIZONA-AMERICAN WATER COMPANY PRE-TAX COVERAGE

ITEM	PERCENT	COST RATE	WEIGHTED COST	PRE-TAX COST
Short-Term Debt	10.98%	5.37%	0.59%	0.59%
Long-Term Debt	47.40%	5.46%	2.59%	2.59%
Common Equity	<u>41.62%</u>	10.000%	<u>4.16%</u>	<u>6.94%</u> (1)
TOTAL CAPITAL	100.00%		7.34%	10.12%

(1) Post-tax weighted cost divided by .60 (composite tax factor)

$$\text{Pre-tax coverage} = \frac{10.12\%}{(0.59\% + 2.59\%)} = 3.18 \text{ X}$$

Standard & Poor's Utility Benchmark Ratios:

	A	BBB
Pre-tax coverage (X)		
Business Position:		
3	2.8x - 3.4x	1.8x - 2.8x
Total Debt to Total Capital (%)		
Business Position		
3	50% - 55%	55% - 65%

Note: Standard & Poor's no longer employs the pre-tax coverage ratios as one of its qualitative ratings criteria. The above-cited S&P benchmark ratios reflect the 1999 criteria reported by S&P.

**SUMMARY OF DISCOUNTED CASH FLOW AND CAPITAL ASSET PRICING MODEL RESULTS
AS DEVELOPED IN ARIZONA-AMERICAN WATER COMPANY WITNESS VILLADSEN'S TESTIMONY**

Group/Company	Simple	Multi-Stage	Long-Term Risk-Free Rate			Short-Term Risk-Free Rate			
	DCF Results	DCF Results	CAPM Results	ECAPM Results (0.5%)	ECAPM Results (1.5%)	CAPM Results	ECAPM Results (1.0%)	ECAPM Results (2%)	ECAPM Results (3%)
Water Sample									
American States Water Co.	9.0%	8.1%	10.6%	10.6%	10.7%	10.0%	10.0%	10.0%	10.1%
Aqua America, Inc.	13.1%	8.6%	9.6%	9.7%	9.9%	8.8%	8.9%	9.1%	9.3%
California Water Service Group	12.1%	9.2%	12.1%	12.0%	11.8%	11.8%	11.6%	11.4%	11.2%
Connecticut Water Service, Inc.	4.8%	7.8%	9.2%	9.3%	9.5%	8.2%	8.4%	8.7%	8.9%
Middlesex Water	4.7%	7.9%	9.6%	9.7%	9.9%	8.8%	8.9%	9.1%	9.3%
SJW Corporation	12.4%	7.9%	11.6%	11.5%	11.4%	11.2%	11.0%	10.9%	10.8%
Southwest Water Co.	15.6%	8.5%	10.6%	10.6%	10.7%	10.0%	10.0%	10.0%	10.1%
York Water Company	3.8%	7.3%	5.8%	6.1%	6.9%	4.0%	4.8%	5.5%	6.3%
Mean	9.4%	8.2%	9.9%	9.9%	10.1%	9.1%	9.2%	9.3%	9.5%
Median	10.6%	8.0%	10.1%	10.2%	10.3%	9.4%	9.5%	9.6%	9.7%
Gas LDC Sample									
AGL Resources	9.9%	9.6%	9.2%	9.3%	9.5%	8.2%	8.4%	8.7%	8.9%
Atmos Energy	10.1%	9.8%	9.2%	9.3%	9.5%	8.2%	8.4%	8.7%	8.9%
Nicor	8.5%	9.3%	10.6%	10.6%	10.7%	10.0%	10.0%	10.0%	10.1%
Laclede Grojp	7.7%	9.0%	10.1%	10.2%	10.3%	9.4%	9.5%	9.6%	9.7%
New Jersey Resources	8.1%	8.3%	9.2%	9.3%	9.5%	8.2%	8.4%	8.7%	8.9%
Norwest Natural Gas	8.4%	8.2%	9.6%	9.7%	9.9%	8.8%	8.9%	9.1%	9.3%
Piedmont Natural Gas	9.1%	9.0%	9.2%	9.3%	9.5%	8.2%	8.4%	8.7%	8.9%
South Jersey Industries	10.4%	8.5%	9.2%	9.3%	9.5%	8.2%	8.4%	8.7%	8.9%
Southwest Gas	8.4%	8.1%	9.6%	9.7%	9.9%	8.8%	8.9%	9.1%	9.3%
WGL Resources	7.9%	8.9%	9.2%	9.3%	9.5%	8.2%	8.4%	8.7%	8.9%
Mean	8.9%	8.9%	9.5%	9.6%	9.8%	8.6%	8.8%	9.0%	9.2%
Median	8.5%	9.0%	9.2%	9.3%	9.5%	8.2%	8.4%	8.7%	8.9%

Sources: Villadsen testimony, Table Nos. BV-6, BV-7, BV-10, BV-19, and BV-22.

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman

GARY PIERCE
Commissioner

PAUL NEWMAN
Commissioner

SANDRA D. KENNEDY
Commissioner

BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF)
ARIZONA-AMERICAN WATER COMPANY)
AN ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE CURRENT FAIR)
VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES BASED THEREON)
FOR UTILITY SERVICE BY ITS MOHAVE)
WASTEWATER DISTRICT)
_____)

DOCKET NO. SW-01303A-08-0227

SURREBUTTAL

TESTIMONY

OF

STEVE IRVINE

PUBLIC UTILITIES ANALYST IV

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 3, 2009

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**EXECUTIVE SUMMARY
ARIZONA-AMERICAN WATER COMPANY
DOCKET NO. SW-01303A-08-0227**

The Surrebuttal Testimony of Staff witness Steve Irvine addresses the following issues:

Staff's updated rate design – Staff's recommended Mohave wastewater rate design would generate Staff's recommended \$722,274 revenue requirement, a decrease of 9.28 percent from the test year. Staff's Surrebuttal Testimony includes Treatment Plant Availability Fee's for 6 and 8-inch service lines that were inadvertently not included in Direct Testimony for rate design.

The Company's Rebuttal Testimony did not include a proposed change to Mohave wastewater rate design from that proposed in the application. The Company continues to propose an increase of \$40.15, or 80.87 percent, in the monthly customer charge, from \$49.65 to \$89.80. Staff recommends a decrease of \$4.69, or 9.44 percent, in the monthly customer charge, reducing the monthly bill from \$49.65 to \$44.96.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Steve Irvine. I am a Public Utilities Analyst employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Did you previously file Direct Testimony pertaining to the rate design for the Mohave Wastewater District in this case?

A. Yes.

Q. What matters are addressed in your Surrebuttal Testimony?

A. This Surrebuttal Testimony provides updated rates (Surrebuttal Schedule SPI-3) to reflect Staff's surrebuttal revenue requirement. Staff also submits a new typical billing analysis (Surrebuttal Schedule SPI-4) to reflect its updated rates. This testimony also corrects an omission in the Treatment Plant Availability Fee section of Schedule SPI-1 in my Direct Testimony.

Q. What comments does the Company make in Rebuttal Testimony regarding Staff's proposed Mohave wastewater rate design?

A. The Company's Rebuttal Testimony does not appear to discuss Staff's proposed Mohave wastewater rate design. It also does not appear to offer a revised rate design for the Mohave Wastewater District.

UPDATED RATE DESIGN

Q. Is Staff's updated rate structure the same as that recommended in its Direct Testimony?

A. Yes. The rate structure is the same, however, the specific rates are different.

Q. Why is Staff recommending rates that differ from its Direct Testimony (SPI-1)?

A. Since Staff's surrebuttal revenue requirement changed from that of its direct position, it is necessary to adjust the rates. At the time of filing of pre-filed Direct Testimony Staff had recommended no change in revenue requirement. Staff now recommends a decrease in revenue requirement, as discussed in the Surrebuttal Testimony of Gerald Becker, and consequently now recommends a decrease in rates. Staff's updated rate design is included as Surrebuttal Schedule SPI-3. An updated typical bill analysis is included as Surrebuttal Schedule SPI-4.

Q. Does Staff's updated rate design include any changes other than a decrease in rates?

A. Yes. SPI-1 had included a line item for Treatment Plant Availability Fee of \$785.00 Per New Connection. The number was correct, but did not provide complete information by addressing fees for the various sizes of connections. The pre-filed Direct Testimony of Dorothy Hains at Figure 7, page 23, of Exhibit DMH-7 included a table that listed Staff's recommended Treatment Plant Availability Fees for the various connection sizes. The table from Ms. Hains' pre-filed Direct Testimony is as seen below:

TREATMENT PLANT HOOK-UP FEE TARIFF TABLE		
Service Lateral Size	Factor	Fee
4-inch	1	\$785*
6-inch	2	\$1,570
8-inch	3½	\$2,748

* Established per Decision No. 69440.

1 Fees for the 6-inch and 8-inch connections were inadvertently not included in SPI-1. The
2 fees contained in this table are included in Surrebuttal Schedule SPI-3 in order to reflect
3 Staff's Treatment Plant Availability Fee recommendation. As Service Line Connection
4 Charges are advances-in-aid-of-construction, changes to those fees did not provide
5 revenue.

6
7 **Q. What revenue would Staff's updated rate design generate?**

8 A. Staff's recommend rate design would generate Staff's recommended \$722,274 revenue
9 requirement, a decrease of 9.28 percent from the test year. As shown on Surrebuttal
10 Schedule GWB-10, the revenue requirement is composed of Wastewater Revenue
11 (\$717,392) and Other Wastewater Revenue (\$4,882) components.

12
13 **Q. Would you please summarize Staff's recommended rate structure?**

14 A. Staff's proposed rate structure is simply the existing rates with the monthly customer
15 charges, the large commercial commodity charge, and the effluent rate each reduced by
16 9.44 percent. A summary of the present, Company proposed, and Staff recommended
17 rates and service charges are provided on Surrebuttal Schedule SPI-3.

18
19 **Q. Why is a 9.44 percentage reduction used to reduce these rates if there is a 9.28**
20 **percent reduction in revenue requirement?**

21 A. The percentage reduction in total revenue requirement differs slightly from the percentage
22 reduction used in Staff's rate design as Staff made no change to the service charges
23 portion of rates.
24

1 **Q. What are the effects of Staff's proposed rates on a customer's bill?**

2 A. Staff's recommended rate design results in a decrease of \$4.69, or 9.44 percent, in the
3 monthly customer charge, reducing the monthly bill from \$49.65 to \$44.96.

4

5 **Q. Does this conclude your Surrebuttal Testimony?**

6 A. Yes, it does.

RATE DESIGN

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Residential (Per ERU)	\$ 49.65	\$ 89.80	\$ 44.96
Commercial (Per ERU)	49.65	89.80	44.96
Public Authority (Per ERU)	49.65	89.80	44.96
Large Commercial	64.00	115.75	57.96
Commodity Charge			
Residential	\$ -	\$ -	\$ -
Commercial	-	-	-
Public Authority	-	-	-
Large Commercial	2.00	8.00	1.81
Effluent (Per Acre Foot)			
0 to 24	\$ 200.00	\$ 250.00	\$ 181.13
25 to 99	200.00	250.00	181.13
100 to 199	200.00	250.00	181.13
200 & Above	200.00	250.00	181.13
Service Line Connection Charges (Non-Refundable)			
Residential	\$ 250.00	Cost	Cost
Commercial	250.00	Cost	Cost
School	250.00	Cost	Cost
Multiple Dwelling	Cost	Cost	Cost
Mobile Home Park	Cost	Cost	Cost
Effluent	250.00	Cost	Cost
Treatment Plant Availability Fee			
Per New Connection	\$ 785.00	\$ 785.00	
4-Inch			\$ 785.00
6-Inch			1,570.00
8-Inch			2,748.00
Service Charges:			
Establishment	\$ 20.00	\$ 20.00	\$ 20.00
Establishment (After Hours)	30.00	30.00	30.00
Reconnection (Deliquent)	30.00	30.00	30.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-Establishment (With-in 12 Months)	**	**	**
NSF Check	25.00	25.00	25.00
Late Payment Charge	***	***	***

* Per Commission Rules (R-14-2-603.B)

** Months off system times minimum (R14-2-603.D)

*** Per Commissions Rules (R14-2-608.D)

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN COST COMPARISONS

LINE NO.	CUSTOMER CLASS	CURRENT RATES			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential		\$ 49.65		\$ 49.65
2	Commerical		\$ 49.65		\$ 49.65
3	Public Authority		\$ 49.65		\$ 49.65
4	Large Commercial	214,945	\$ 493.89	* see note below	

LINE NO.	CUSTOMER CLASS	COMPANY RECOMMENDED					
		AVERAGE			MEDIAN		
		AVERAGE	CHANGE	PERCENT	MEDIAN	CHANGE	PERCENT
5	Residential	\$ 89.80	\$ 40.15	80.87%	\$ 89.80	\$ 40.15	80.87%
6	Commerical	\$ 89.80	\$ 40.15	80.87%	\$ 89.80	\$ 40.15	80.87%
7	Public Authority	\$ 89.80	\$ 40.15	80.87%	\$ 89.80	\$ 40.15	80.87%
8	Large Commercial	\$1,835.31	\$ 1,341.42	271.60%	* see note below		

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE			MEDIAN		
		AVERAGE	CHANGE	PERCENT	MEDIAN	CHANGE	PERCENT
9	Residential	\$ 44.96	\$ (4.69)	-9.44%	\$ 44.96	\$ (4.69)	-9.44%
10	Commerical	\$ 44.96	\$ (4.69)	-9.44%	\$ 44.96	\$ (4.69)	-9.44%
11	Public Authority	\$ 44.96	\$ (4.69)	-9.44%	\$ 44.96	\$ (4.69)	-9.44%
12	Large Commercial	\$ 447.28	\$ (46.61)	-9.44%	* see note below		

* Median Large Commercial figures omitted as there are only 2 test year Large Commercial customers

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

SANDRA D. KENNEDY

Commissioner

PAUL NEWMAN

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF)	DOCKET NO. W-01303A-08-0227
ARIZONA-AMERICAN WATER COMPANY,)	
AN ARIZONA CORPORATION, FOR A)	
DETERMINATION OF THE CURRENT FAIR)	
VALUE OF ITS UTILITY PLANT AND)	
PROPERTY AND FOR INCREASES IN ITS)	
RATES AND CHARGES BASED THEREON)	
FOR UTILITY SERVICE BY ITS AGUA FRIA)	
WATER DISTRICT, HAVASU WATER)	
DISTRICT, MOHAVE WATER DISTRICT,)	
PARADISE VALLEY WATER DISTRICT, SUN)	
CITY WEST WATER DISTRICT AND TUBAC)	
<u>WATER DISTRICT.</u>)	

SURREBUTTAL

TESTIMONY

OF

MARVIN E. MILLSAP

PUBLIC UTILITIES ANALYST IV

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 03, 2009

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SCHEDULES

Agua Fria District	
Rate Design	Surrebuttal MEM-1
Typical Residential Bill Analysis	Surrebuttal MEM-2
Havasus District	
Rate Design	Surrebuttal MEM-1
Typical Residential Bill Analysis	Surrebuttal MEM-2
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Rate Design	Surrebuttal MEM-1
Typical Residential Bill Analysis	Surrebuttal MEM-2
Tubac District	
Rate Design	Surrebuttal MEM-1
Typical Residential Bill Analysis	Surrebuttal MEM-2

EXECUTIVE SUMMARY
ARIZONA-AMERICAN WATER COMPANY, INC.
DOCKET NO. W-01303A-08-0227

The Surrebuttal Testimony of Staff witness Marvin E. Millsap considers revised revenue requirements for each water district and makes changes to the rates recommended in his Direct Testimony.

Agua Fria Water District:

A residential 5/8 x 3/4-inch meter customer consuming the average usage of 7,400 gallons per month under the Company's proposed rates would be billed \$38.48, or \$14.32 more than the current \$24.16 for a 59.28 percent increase. By comparison, Staff's recommended rates would have a residential 5/8 x 3/4-inch meter customer consuming the average usage of 7,400 gallons per month paying \$29.87, or \$5.71 more than the current \$24.16 for a 23.64 percent increase.

Havasu Water District:

A residential 5/8 x 3/4-inch meter customer consuming the average usage of 9,705 gallons per month under the Company's proposed rates would be billed \$68.07, or \$31.48 more than the current \$36.59 for an 86.04 percent increase. By comparison, Staff's recommended rates would have a residential 5/8 x 3/4-inch meter customer consuming the average usage of 9,705 gallons per month paying \$48.64, or \$12.06 more than the current \$36.59 for a 32.95 percent increase.

Mohave Water District:

A residential 5/8 x 3/4-inch meter customer consuming the average usage of 8,073 gallons per month under the Company's proposed rates would be billed \$24.50, or \$7.06 more than the current \$17.44 for a 40.46 percent increase. By comparison, Staff's recommended rates would have a residential 5/8 x 3/4-inch meter customer consuming the average usage of 8,073 gallons per month paying \$18.45, or \$1.01 more than the current \$17.44 for a 5.81 percent increase.

Paradise Valley Water District:

A residential 5/8 x 3/4-inch meter customer consuming the average usage of 20,493 gallons per month under the Company's proposed rates would be billed \$70.54, or \$21.34 more than the current \$49.20 for a 43.37 percent increase. By comparison, Staff's recommended rates would have a residential 5/8 x 3/4-inch meter customer consuming the average usage of 20,493 gallons per month paying \$57.99, or \$8.79 more than the current \$49.20 for a 17.86 percent increase.

Sun City West Water District:

A residential 5/8 x 3/4-inch meter customer consuming the average usage of 6,704 gallons per month under the Company's proposed rates would be billed \$35.09, or \$15.58 more than the current \$19.51 for a 79.83 percent increase. By comparison, Staff's

recommended rates would have a residential 5/8 x 3/4-inch meter customer consuming the average usage of 6,704 gallons per month paying \$32.33, or \$12.81 more than the current \$19.51 for a 65.65 percent increase.

Tubac Water District:

A residential 5/8 x 3/4-inch meter customer consuming the average usage of 11,797 gallons per month under the Company's proposed rates would be billed \$85.44, or \$35.97 more than the current \$49.46 for a 72.73 percent increase. By comparison, Staff's recommended rates would have a residential 5/8 x 3/4-inch meter customer consuming the average usage of 11,797 gallons per month paying \$71.40, or \$21.94 more than the current \$49.46 for a 44.35 percent increase.

Staff recommends approval of its rates and charges.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Marvin E. Millsap. I am a Public Utilities Analyst IV employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Marvin E. Millsap who filed Direct Testimony in this case?

A. Yes I am.

Q. What is the purpose of your Surrebuttal Testimony in this proceeding?

A. The purpose of my Surrebuttal Testimony in this proceeding is to present updates to Staff's recommended rates for the six water systems in Arizona-American Water Company, Inc.'s ("Arizona-American" or "Company") addressed in my Direct Testimony due to changes in the revenue requirements for the various systems.

Q. What is the scope of your testimony in this case?

A. I am presenting Staff's testimony and schedules addressing rate design of the six water systems included in this case.

RATE DESIGN

Q. Have you prepared a schedule summarizing the present, Company proposed, and Staff recommended rates and service charges?

A. Yes. A summary of the present, Company proposed, and Staff recommended rates and service charges for the Agua Fria, Havasu, Mohave, Paradise Valley, Sun City West and Tubac Districts ("water systems") are provided on Surrebuttal Schedule MEM-1 for each district.

1 *Agua Fria Water District*

2 **Q. Would you please summarize the Company's proposed rate design for the Agua Fria**
3 **Water District?**

4 A. Yes. The Company's proposed rates and charges are presented on Surrebuttal Schedule
5 MEM-1 for the Agua Fria Water District.

6
7 **Q. Would you please summarize Staff's recommended rate design for the Agua Fria**
8 **Water District?**

9 A. Yes. Staff recommends Staff's rates and charges presented on Surrebuttal Schedule
10 MEM-1 for the Agua Fria Water District. Staff's recommended rates will produce
11 revenues of approximately \$21,377,068 (\$20,471,951 water revenues, \$905,117 other
12 water revenues).

13
14 **Q. What is the rate impact on a 5/8 x 3/4-inch meter residential customer using an**
15 **average consumption of 7,400 gallons?**

16 A. The average usage of residential 5/8 x 3/4-inch meter customers is 7,400 gallons per
17 month. The average residential 5/8 x 3/4-inch meter customer would experience a \$14.32
18 or 59.28 percent increase in his/her monthly bill from \$24.16 to \$38.48 under the
19 Company's proposed rates. By comparison, the average residential 5/8 x 3/4-inch meter
20 customer would experience a \$5.71 or 23.64 percent increase in his/her monthly bill from
21 \$24.16 to \$29.87 under Staff's recommended rates. Please see Staff's Surrebuttal
22 Schedule MEM-2, typical bill analysis for residential 5/8 x 3/4-inch meter customers.

23

1 *Havasu Water District*

2 **Q. Would you please summarize the Company's proposed rate design for the Havasu**
3 **Water District?**

4 A. Yes. The Company's proposed rates and charges are presented on Surrebuttal Schedule
5 MEM-1 for the Havasu Water District.

6
7 **Q. Would you please summarize Staff's recommended rate design for the Havasu Water**
8 **District?**

9 A. Yes. Staff recommends Staff's rates and charges presented on Surrebuttal Schedule
10 MEM-1 for the Havasu Water District. Staff's recommended rates will produce revenues
11 of approximately \$1,408,317 (\$1,385,207 water revenues, \$23,110 other water revenues).

12
13 **Q. What is the rate impact on a 5/8-inch x 3/4-inch meter residential customer using an**
14 **average consumption of 9,705 gallons?**

15 A. The average usage of residential 5/8 x 3/4-inch meter customers is 9,705 gallons per
16 month. The average residential 5/8 x 3/4-inch meter customer would experience a \$31.48
17 or 86.04 percent increase in his/her monthly bill from \$36.59 to \$68.07 under the
18 Company's proposed rates. By comparison, the average residential 5/8 x 3/4-inch meter
19 customer would experience a \$12.06 or 32.95 percent increase in his/her monthly bill from
20 \$36.59 to \$48.64 under Staff's recommended rates. Please see Staff's Surrebuttal
21 Schedule MEM-2, typical bill analysis for residential 5/8 x 3/4-inch meter customers.

22

1 *Mohave Water District*

2 **Q. Would you please summarize the Company's proposed rate design for the Mohave**
3 **Water District?**

4 A. Yes. The Company's proposed rates and charges are presented on Surrebuttal Schedule
5 MEM-1 for the Mohave Water District.

6
7 **Q. Would you please summarize Staff's recommended rate design for the Mohave**
8 **Water District?**

9 A. Yes. Staff recommends Staff's rates and charges presented on Surrebuttal Schedule
10 MEM-1 for the Mohave Water District. Staff's recommended rates will produce revenues
11 of approximately \$5,345,121 (\$5,164,098 water revenues, \$181,023 other water
12 revenues).

13
14 **Q. What is the rate impact on a 5/8 x 3/4-inch meter residential customer using an**
15 **average consumption of 8,073 gallons?**

16 A. The average usage of residential 5/8 x 3/4-inch meter customers is 8,073 gallons per
17 month. The average residential 5/8 x 3/4-inch meter customer would experience a \$7.06
18 or 40.46 percent increase in his/her monthly bill from \$17.44 to \$24.50 under the
19 Company's proposed rates. By comparison, the average residential 5/8 x 3/4-inch meter
20 customer would experience a \$1.01 or 5.81 percent increase in his/her monthly bill from
21 \$17.44 to \$18.45 under Staff's recommended rates. Please see Staff's Surrebuttal
22 Schedule MEM-2, typical bill analysis for residential 5/8 x 3/4-inch meter customers.

23

Paradise Valley Water District

Q. Would you please summarize the Company's proposed rate design for the Paradise Valley Water District?

A. Yes. The Company's proposed rates and charges are presented on Surrebuttal Schedule MEM-1 for the Paradise Valley Water District.

Q. Would you please summarize Staff's recommended rate design for the Paradise Valley Water District?

A. Yes. Staff recommends Staff's rates and charges presented on Surrebuttal Schedule MEM-1 for the Paradise Valley Water District. Staff's recommended rates will produce revenues of approximately \$9,470,254 (\$9,453,635 water revenues, \$16,619 other water revenues).

Q. What is the rate impact on a 5/8 x 3/4-inch meter residential customer using an average consumption of 20,493 gallons?

A. The average usage of residential 5/8 x 3/4-inch meter customers is 20,493 gallons per month. The average residential 5/8 x 3/4-inch meter customer would experience a \$21.34 or 43.37 percent increase in his/her monthly bill from \$49.20 to \$70.54 under the Company's proposed rates. By comparison, the average residential 5/8 x 3/4-inch meter customer would experience an \$8.79 or 17.86 percent increase in his/her monthly bill from \$49.20 to \$57.99 under Staff's recommended rates. Please see Staff's Surrebuttal Schedule MEM-2, typical bill analysis for residential 5/8 x 3/4-inch meter customers.

1 *Sun City West Water District*

2 **Q. Would you please summarize the Company's proposed rate design for the Sun City**
3 **West Water District?**

4 A. Yes. The Company's proposed rates and charges are presented on Surrebuttal Schedule
5 MEM-1 for the Sun City West Water District.

6
7 **Q. Would you please summarize Staff's recommended rate design for the Sun City West**
8 **Water District?**

9 A. Yes. Staff recommends Staff's rates and charges presented on Surrebuttal Schedule
10 MEM-1 for the Sun City West Water District. The rate design described in my Direct
11 Testimony has not changed. Staff's recommended rates will produce revenues of
12 approximately \$9,153,704 (\$9,113,303 water revenues, \$40,401 other water revenues).

13
14 **Q. What is the rate impact on a 5/8 x 3/4-inch meter residential customer using an**
15 **average consumption of 6,704 gallons?**

16 A. The average usage of residential 5/8 x 3/4-inch meter customers is 6,704 gallons per
17 month. The average residential 5/8 x 3/4-inch meter customer would experience a \$15.58
18 or 79.83 percent increase in his/her monthly bill from \$19.51 to \$35.09 under the
19 Company's proposed rates. By comparison, the average residential 5/8 x 3/4-inch meter
20 customer would experience a \$12.81 or 65.65 percent increase in his/her monthly bill from
21 \$19.51 to \$32.33 under Staff's recommended rates. Please see Staff's Surrebuttal
22 Schedule MEM-2, typical bill analysis for residential 5/8 x 3/4-inch meter customers.

23

Tubac Water District

Q. Would you please summarize the Company's proposed rate design for the Tubac Water District?

A. Yes. The Company's proposed rates and charges are presented on Surrebuttal Schedule MEM-1 for the Tubac Water District.

Q. Would you please summarize Staff's recommended rate design for the Tubac Water District?

A. Yes. Staff recommends Staff's rates and charges presented on Surrebuttal Schedule MEM-1 for the Tubac Water District. Staff's recommended rates will produce revenues of approximately \$643,634 (\$639,795 water revenues, \$3,839 other water revenues).

Q. What is the rate impact on a 5/8 x 3/4-inch meter residential customer using an average consumption of 11,797 gallons?

A. The average usage of residential 5/8 x 3/4-inch meter customers is 11,797 gallons per month. The average residential 5/8 x 3/4-inch meter customer would experience a \$35.97 or 72.73 percent increase in his/her monthly bill from \$49.46 to \$85.44 under the Company's proposed rates. By comparison, the average residential 5/8 x 3/4-inch meter customer would experience a \$21.94 or 44.35 percent increase in his/her monthly bill from \$49.46 to \$71.40 under Staff's recommended rates. Please see Staff's Surrebuttal Schedule MEM-2, typical bill analysis for residential 5/8 x 3/4-inch meter customers.

Q. Does this conclude your Surrebuttal Testimony?

A. Yes, it does.

RATE DESIGN

Line No.		Present Rates	Company Proposed	Staff Recommended
1	<u>Monthly Minimum</u>			
2	5/8 x 3/4-inch Meter	\$ 10.45	\$ 15.00	\$ 13.50
3	1-inch Meter	\$ 26.74	\$ 38.38	\$ 33.77
4	1 1/2-inch Meter	\$ 55.90	\$ 80.24	\$ 67.50
5	2-inch Meter	\$ 83.84	\$ 120.34	\$ 108.00
6	3-inch Meter	\$ 164.02	\$ 235.44	\$ 216.00
7	4-inch Meter	\$ 220.63	\$ 316.69	\$ 337.45
8	6-inch Meter	\$ 425.22	\$ 610.36	\$ 674.85
9	8-inch Meter	N/A	N/A	\$ 1,079.75
10	10-inch Meter	N/A	N/A	\$ 1,552.10
11	12-inch Meter	N/A	N/A	\$ 2,901.75
12				
13	Other Public Entities - State Prison	\$ 191.75	\$ 275.24	\$ 222.43
14				
15	<u>Monthly Service Charge for Fire Sprinkler</u>			
16	4-inch Meter	\$ 27.25	\$ 49.60	\$ 31.64
17	6-inch Meter	\$ 40.86	\$ 74.37	\$ 47.40
18	8-inch Meter	\$ 54.48	\$ 99.15	\$ 63.20
19	12-inch Meter	\$ 163.44	\$ 297.48	\$ 189.59
20				
21				
22	<u>Gallons in the Minimum</u>			
23				
24				
25	<u>Commodity Rates</u>			
26	(Residential, Commercial, Industrial)			
27				
28	5/8 x 3/4-inch Meter Residential			
29	0 - 4,000 Gallons	\$ 1.53	\$ 2.926	\$ 1.90
30	4,001 - 13,000 Gallons	\$ 2.22	\$ 3.463	\$ 2.57
31	Over 13,000 Gallons	\$ 2.65	\$ 3.670	\$ 3.37
32	5/8 x 3/4-inch Meter Commercial			
33	0 to 13,000 Gallons	\$ 2.22	\$ 3.463	\$ 2.57
34	Over 13,000 Gallons	\$ 2.65	\$ 3.670	\$ 3.37
35	1-inch Meter:			
36	0 to 45,000 Gallons	\$ 2.22	\$ 3.463	\$ 2.57
37	Over 45,000 Gallons	\$ 2.65	\$ 3.670	\$ 3.37
38	1 1/2-inch Meter:			
39	0 to 100,000 Gallons	\$ 2.22	\$ 3.463	\$ 2.57
40	Over 100,000 Gallons	\$ 2.65	\$ 3.670	\$ 3.37
41	2-inch Meter			
42	0 to 150,000 Gallons	\$ 2.22	\$ 3.463	\$ 2.57
43	Over 150,000 Gallons	\$ 2.65	\$ 3.670	\$ 3.37
44	3-inch Meter			
45	0 to 300,000 Gallons	\$ 2.22	\$ 3.463	\$ 2.57
46	Over 300,000 Gallons	\$ 2.65	\$ 3.670	\$ 3.37
47	4-inch Meter			
48	0 to 400,000 Gallons	\$ 2.22	\$ 3.463	\$ 2.57
49	Over 400,000 Gallons	\$ 2.65	\$ 3.670	\$ 3.37
50	6-inch Meter			
51	0 to 800,000 Gallons	\$ 2.22	\$ 3.463	\$ 2.57
52	Over 800,000 Gallons	\$ 2.65	\$ 3.670	\$ 3.37
53	8-inch Meter			
54	0 to 1,125,000 Gallons	\$ 2.22	\$ 3.463	\$ 2.57
55	Over 1,125,000 Gallons	\$ 2.65	\$ 3.670	\$ 3.37
56	10-inch Meter			
57	0 to 1,500,000 Gallons	\$ 2.22	\$ 3.463	\$ 2.57
58	Over 1,500,000 Gallons	\$ 2.65	\$ 3.670	\$ 3.37
59	12-inch Meter			
60	0 to 2,250,000 Gallons	\$ 2.22	\$ 3.463	\$ 2.57
61	Over 2,250,000 Gallons	\$ 2.65	\$ 3.670	\$ 3.37
62	Arizona Water Contract			
63	0 to 8,000 Gallons	\$ 1.78	\$ 2.926	\$ 2.02
64	Over 8,000 Gallons	\$ 2.24	\$ 3.463	\$ 2.57
65	Other Public Entities - State Prison			
66	All Gallons	\$ 1.93	\$ 3.463	\$ 2.24
67	OWU - PI Surprise			
68	All Gallons	\$ 1.00	\$ 1.00	\$ 1.20
69	<u>Private Fire Service</u>			
70	All Gallons	\$ 1.38	\$ 1.38	\$ 1.38
71	<u>Irrigation/Bulk - Raw</u>			
72	All Gallons	\$ 0.50	\$ 1.000	\$ 2.57
73	<u>Irrigation - Non Potable</u>			
74	All Gallons	\$ 0.62	\$ 1.240	\$ 2.57
75				

	Present Rates	Company Proposed	Staff Recommended
77 Service Charges			
78 Establishment Re-establishment and/reconnection of Service:			
79 Regular Hours	\$ 30.00	\$ 30.00	\$ 30.00
80 After Hours	\$ 40.00	\$ 40.00	\$ 40.00
81 Water Meter Test (If Correct)	\$ 10.00	\$ 81.00	\$ 81.00
82 Meter Re-Read (If Correct)	\$ 5.00	\$ 5.00	\$ 5.00
83 NSF Check Charge	\$ 10.00	\$ 10.00	\$ 10.00
84 Late Fee Charge	1.5% Per Month	1.5% Per Month	1.5% Per Month
85 Deferred Payment Finance Charge	N/A	N/A	N/A
86 Deposit Requirements Residential	---	---	---
87 Deposit Requirements Non-Residential	---	---	---
88 Deposit Interest	---	---	---

89
90 ** Residential - two times the average bill. Non-residential - two and one-half times the estimated maximum bill.

91
92 *** Interest per [Per ACC Rule 14-2-403(B)]

	Present Service Line Charge	Present Meter Installation Charge	Total Present Charge	Company Proposed Service Line Charge	Company Proposed Meter Installation Charge	Company Total Proposed Charge	Staff Recommended Service Line Charge	Staff Recommended Meter Installation Charge	Staff Total Recommended Charge
96									
97									
98									
99									
100 Meter and Service Line Installation Charges									
101 5/8 x 3/4-inch Meter	\$ 370.00	\$ 130.00	\$ 500.00	Actual Cost	Actual Cost	Actual Cost	\$ 445.00	\$ 155.00	\$ 600.00
102 3/4-inch Meter	\$ 370.00	\$ 205.00	\$ 575.00	Actual Cost	Actual Cost	Actual Cost	\$ 445.00	\$ 255.00	\$ 700.00
103 1-inch Meter	\$ 420.00	\$ 240.00	\$ 660.00	Actual Cost	Actual Cost	Actual Cost	\$ 495.00	\$ 315.00	\$ 810.00
104 1 1/2-inch Meter	\$ 450.00	\$ 450.00	\$ 900.00	Actual Cost	Actual Cost	Actual Cost	\$ 550.00	\$ 525.00	\$ 1,075.00
105 2-inch Turbine Meter	\$ 580.00	\$ 945.00	\$ 1,525.00	Actual Cost	Actual Cost	Actual Cost	\$ 830.00	\$ 1,045.00	\$ 1,875.00
106 2-inch Compound Meter	\$ 580.00	\$ 1,640.00	\$ 2,220.00	Actual Cost	Actual Cost	Actual Cost	\$ 830.00	\$ 1,890.00	\$ 2,720.00
107 3-inch Turbine Meter	\$ 745.00	\$ 1,420.00	\$ 2,165.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
108 3-inch Compound Meter	\$ 765.00	\$ 2,195.00	\$ 2,960.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
109 4-inch Turbine Meter	\$ 1,090.00	\$ 2,270.00	\$ 3,360.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
110 4-inch Compound Meter	\$ 1,120.00	\$ 3,145.00	\$ 4,265.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
111 6-inch Turbine Meter	\$ 1,610.00	\$ 4,425.00	\$ 6,035.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
112 6-inch Compound Meter	\$ 1,630.00	\$ 6,120.00	\$ 7,750.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
113 8-inch or Larger	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost

114
115 An applicant for water service shall pay to the Company, as a refundable advance in aid of construction the full cost to provide the new service line and meter.

116 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM IT CUSTOMERS A PROPORTIONATE SHARE
117 OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409D(5).

118
119 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING
120 ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.

121

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,400	\$ 24.16	\$ 38.48	\$ 14.32	59.28%
Median Usage	N/A				
Staff Recommended					
Average Usage	7,400	\$ 24.16	\$ 29.87	\$ 5.71	23.64%
Median Usage	N/A				

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
Consumption					
-	\$ 10.45	\$ 15.00	43.54%	\$ 13.50	29.15%
1,000	11.99	17.93	49.51%	15.40	28.45%
2,000	13.53	20.85	54.12%	17.30	27.90%
3,000	15.07	23.78	57.78%	19.21	27.47%
4,000	16.61	26.70	60.77%	21.11	27.12%
5,000	18.83	30.17	60.21%	23.69	25.81%
6,000	21.05	33.63	59.76%	26.26	24.77%
7,000	23.27	37.09	59.40%	28.84	23.94%
8,000	25.49	40.55	59.11%	31.41	23.24%
9,000	27.71	44.02	58.86%	33.99	22.66%
7,400	24.16	38.48	59.28%	29.87	23.64%
10,000	29.93	47.48	58.65%	36.56	22.17%
11,000	32.15	50.94	58.46%	39.14	21.74%
12,000	34.37	54.41	58.30%	41.71	21.37%
13,000	36.59	57.87	58.17%	44.29	21.05%
14,000	39.23	61.54	56.85%	47.65	21.46%
15,000	41.88	65.21	55.70%	51.02	21.82%
16,000	44.53	68.88	54.69%	54.38	22.13%
17,000	47.17	72.55	53.79%	57.75	22.42%
18,000	49.82	76.22	52.98%	61.11	22.67%
19,000	52.47	79.89	52.26%	64.48	22.89%
20,000	55.12	83.56	51.61%	67.84	23.10%
25,000	68.35	101.91	49.10%	84.67	23.88%
30,000	81.58	120.26	47.40%	101.50	24.41%
35,000	94.82	138.60	46.18%	118.32	24.79%
40,000	108.05	156.95	45.26%	135.15	25.08%
45,000	121.29	175.30	44.54%	151.98	25.31%
50,000	134.52	193.65	43.96%	168.80	25.49%
75,000	200.69	285.40	42.21%	252.94	26.03%
100,000	266.86	377.14	41.33%	337.07	26.31%

RATE DESIGN

No.		Present Rates	Company Proposed	Staff Recommended	
1	<u>Monthly Minimum</u>				
2	5/8 x 3/4-inch Meter	\$ 17.40	\$ 28.00	\$ 23.00	
3	1-inch Meter	\$ 29.84	\$ 48.18	\$ 57.50	
4	1 1/2-inch Meter	N/A	N/A	\$ 115.00	
5	2-inch Meter	\$ 58.91	\$ 94.80	\$ 184.00	
6	3-inch Meter	\$ 80.15	\$ 128.98	\$ 368.10	
7	4-inch Meter	\$ 101.39	\$ 163.16	\$ 575.00	
8	6-inch Meter	N/A	N/A	\$ 1,149.95	
9	8-inch Meter	N/A	N/A	\$ 1,839.91	
10	10-inch Meter	N/A	N/A	\$ 2,644.87	
11	12-inch Meter	N/A	N/A	\$ 4,944.76	
12					
13	6-inch, or smaller, Meter for Apartments, RV Parks and Resorts	\$ 8.70	\$ 14.00	\$ 13.00	
14					
15					
16	<u>Gallons in the Minimum</u>	-	-	-	
17					
18					
19	<u>Commodity Rates</u>	<u>Per 1,000 Gallons</u>			
20	<u>(Residential and Commercial)</u>	<u>Block</u>			
21					
22	5/8 x 3/4-inch Meter Residential	0 - 4,000 Gallons	\$ 1.68	\$ 4.033	\$ 2.30
23		4,001 - 13,000 Gallons	\$ 2.19	\$ 4.196	\$ 2.88
24		Over 13,000 Gallons	\$ 2.50	\$ 4.555	\$ 3.47
25					
26	5/8 x 3/4-inch Meter Commercial and Indus	0 to 13,000 Gallons	\$ 2.19	\$ 4.20	\$ 2.88
27		Over 13,000 Gallons	\$ 2.50	\$ 4.56	\$ 3.47
28					
29	1-inch Meter:	0 to 30,000 Gallons	\$ 2.19	\$ 4.20	\$ 2.88
30		Over 30,000 Gallons	\$ 2.50	\$ 4.56	\$ 3.47
31					
32	1 1/2-inch Meter:	N/A	N/A	N/A	\$ 2.88
33		N/A	N/A	N/A	\$ 3.47
34					
35	2-inch Meter	0 to 60,000 Gallons	\$ 2.19	\$ 4.20	\$ 2.88
36		Over 60,000 Gallons	\$ 2.50	\$ 4.56	\$ 3.47
37					
38	3-inch Meter	0 to 90,000 Gallons	\$ 2.19	\$ 4.20	\$ 2.88
39		Over 90,000 Gallons	\$ 2.50	\$ 4.56	\$ 3.47
40					
41	4-inch Meter	0 to 110,000 Gallons	\$ 2.19	\$ 4.20	\$ 2.88
42		Over 110,000 Gallons	\$ 2.50	\$ 4.56	\$ 3.47
43					
44	6-inch Meter	0 to 500,000 Gallons	\$ 2.19	\$ 4.20	\$ 2.88
45		Over 500,000 Gallons	\$ 2.50	\$ 4.56	\$ 3.47
46					
47	8-inch Meter	N/A	N/A	N/A	\$ 2.88
48		N/A	N/A	N/A	\$ 3.47
49					
50	10-inch Meter	N/A	N/A	N/A	\$ 2.88
51		N/A	N/A	N/A	\$ 3.47
52					
53	12-inch Meter	N/A	N/A	N/A	\$ 2.88
54		N/A	N/A	N/A	\$ 3.47
55					
56					

	Present Rates	Company Proposed	Staff Recommended
57 Service Charges			
58 Establishment Re-establishment and/or reconnection of Service:			
59 Regular Hours	\$ 25.00	\$ 25.00	\$ 25.00
60 After Hours	\$ 34.00	\$ 34.00	\$ 34.00
61 Water Meter Test (If Correct)	\$ 10.00	\$ 10.00	\$ 10.00
62 Meter Re-Read (If Correct)	\$ 5.00	\$ 5.00	\$ 5.00
63 NSF Check Charge	\$ 10.00	\$ 10.00	\$ 25.00
64 Late Fee Charge	N/A	N/A	1.5% Per Month
65 Deferred Payment Finance Charge	N/A	N/A	1.5% Per Month
66 Deposit Requirements Residential	**	**	**
67 Deposit Requirements Non-Residential	***	***	***
68 Deposit Interest			

** Residential - two times the average bill. Non-residential - two and one-half times the estimated maximum bill.

*** Interest per [Per ACC Rule 14-2-403(B)]

	Present Service Line Charge	Present Meter Installation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	(a) Total Proposed Charge	Staff Proposed Service Line Charge	Staff Proposed Meter Installation Charge	Staff Total Proposed Charge
76 Meter and Service Line Installation Charges									
77 5/8 x 3/4-inch Meter	\$ 370.00	\$ 130.00	\$ 500.00	Actual Cost	Actual Cost	Actual Cost	\$ 445.00	\$ 155.00	\$ 600.00
78 3/4-inch Meter	\$ 370.00	\$ 205.00	\$ 575.00	Actual Cost	Actual Cost	Actual Cost	\$ 445.00	\$ 255.00	\$ 700.00
79 1-inch Meter	\$ 420.00	\$ 240.00	\$ 660.00	Actual Cost	Actual Cost	Actual Cost	\$ 495.00	\$ 315.00	\$ 810.00
80 1 1/2-inch Meter	\$ 450.00	\$ 450.00	\$ 900.00	Actual Cost	Actual Cost	Actual Cost	\$ 550.00	\$ 525.00	\$ 1,075.00
81 2-inch Turbine Meter	\$ 580.00	\$ 945.00	\$ 1,525.00	Actual Cost	Actual Cost	Actual Cost	\$ 830.00	\$ 1,045.00	\$ 1,875.00
82 2-inch Compound Meter	\$ 580.00	\$ 1,640.00	\$ 2,220.00	Actual Cost	Actual Cost	Actual Cost	\$ 830.00	\$ 1,890.00	\$ 2,720.00
83 3-inch Turbine Meter	\$ 745.00	\$ 1,420.00	\$ 2,165.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
84 3-inch Compound Meter	\$ 465.00	\$ 2,195.00	\$ 2,660.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
85 4-inch Turbine Meter	\$ 1,090.00	\$ 2,270.00	\$ 3,360.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
86 4-inch Compound Meter	\$ 1,120.00	\$ 3,145.00	\$ 4,265.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
87 6-inch Turbine Meter	\$ 1,610.00	\$ 4,425.00	\$ 6,035.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
88 6-inch Compound Meter	\$ 1,630.00	\$ 6,120.00	\$ 7,750.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
89 8-inch or Larger	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost

An applicant for water service shall pay to the Company, as a refundable advance in aid of construction the full cost to provide the new service line and meter.

IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM IT CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409D(5).

ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	9,705	\$ 36.59	\$ 68.07	\$ 31.48	86.04%
Median Usage	N/A				
Staff Recommended					
Average Usage	9,705	\$ 36.59	\$ 48.64	\$ 12.06	32.95%
Median Usage	N/A				

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 17.40	\$ 28.00	60.92%	\$ 23.00	32.18%
1,000	19.08	32.03	67.88%	25.30	32.61%
2,000	20.76	36.07	73.72%	27.61	32.97%
3,000	22.44	40.10	78.68%	29.91	33.28%
4,000	24.12	44.13	82.95%	32.21	33.54%
5,000	26.31	48.33	83.71%	35.09	33.40%
6,000	28.49	52.52	84.34%	37.97	33.28%
7,000	30.68	56.72	84.89%	40.85	33.17%
8,000	32.86	60.91	85.36%	43.73	33.08%
9,000	35.05	65.11	85.77%	46.61	33.00%
9,705	36.59	68.07	86.04%	48.64	32.95%
10,000	37.23	69.30	86.14%	49.49	32.93%
11,000	39.42	73.50	86.46%	52.37	32.87%
12,000	41.60	77.69	86.76%	55.25	32.82%
13,000	43.79	81.89	87.02%	58.14	32.77%
14,000	46.29	86.45	86.76%	61.61	33.09%
15,000	48.79	91.00	86.52%	65.07	33.38%
16,000	51.29	95.56	86.31%	68.54	33.65%
17,000	53.79	100.11	86.12%	72.01	33.88%
18,000	56.29	104.67	85.95%	75.48	34.10%
19,000	58.79	109.22	85.79%	78.95	34.30%
20,000	61.29	113.78	85.64%	82.42	34.48%
25,000	73.79	136.56	85.06%	99.77	35.21%
30,000	86.29	159.33	84.65%	117.12	35.73%
35,000	98.79	182.11	84.34%	134.47	36.11%
40,000	111.29	204.89	84.10%	151.82	36.41%
45,000	123.79	227.66	83.90%	169.17	36.65%
50,000	136.30	250.44	83.75%	186.52	36.85%
75,000	198.80	364.33	83.26%	273.26	37.46%
100,000	261.31	478.21	83.01%	360.01	37.77%

RATE DESIGN

Line No.		System	Present	Company	Staff
			Rates	Proposed	Recommended
1	<u>Monthly Minimum</u>				
1	5/8 x 3/4-inch Meter	Bullhead	\$ 8.75	\$ 12.00	\$ 9.15
2	1-inch Meter	Bullhead	\$ 21.25	\$ 29.14	\$ 22.88
3	1 1/2-inch Meter	Bullhead	\$ 42.50	\$ 58.29	\$ 45.75
4	2-inch Meter	Bullhead	\$ 68.00	\$ 93.26	\$ 73.20
5	2-inch Meter	Havas	\$ 39.68	\$ 54.69	\$ 41.52
5	3-inch Meter	Bullhead	\$ 136.00	\$ 188.51	\$ 146.40
6	4-inch Meter	Bullhead	\$ 215.00	\$ 294.86	\$ 228.75
7	4-inch Meter	Havas	\$ 68.64	\$ 94.13	\$ 71.45
8	6-inch Meter	Bullhead	\$ 425.00	\$ 582.86	\$ 457.50
9	8-inch Meter	Bullhead	N/A	N/A	\$ 732.00
10	10-inch Meter	Bullhead	N/A	N/A	\$ 1,052.25
11	12-inch Meter	Bullhead	N/A	N/A	\$ 1,967.25
12					
13					
14	<u>Monthly Service Charge for Fire Sprinkler</u>				
15	2-inch Meter No Usage		\$ 3.23	\$ 9.69	\$ 3.36
16	4-inch Meter No Usage		\$ 6.45	\$ 19.35	\$ 6.71
17	6-inch Meter No Usage		\$ 9.68	\$ 29.04	\$ 10.08
18	8-inch Meter No Usage		\$ 12.91	\$ 38.76	\$ 13.49
19	10-inch Meter No Usage		\$ 16.13	\$ 48.39	\$ 16.79
20	Hydrant No Usage		\$ 8.22	\$ 24.66	\$ 8.56
21					
22					
23	<u>Gallons in the Minimum</u>				
24					
25					
26	<u>Commodity Rates</u>				
27	(Residential, Commercial, Industrial)	Block			
28					
29	5/8 x 3/4-inch Meter Residential	0 - 4,000 Gallons	\$ 0.85	\$ 1.471	\$ 0.95
30		4,001 -10,000 Gallons	\$ 1.30	\$ 1.625	\$ 1.35
31		Over 10,000 Gallons	\$ 1.50	\$ 1.744	\$ 1.64
32					
33	5/8 x 3/4-inch Meter - Apartment	0 to 10,000 Gallons	\$ 1.30	\$ 1.625	\$ 1.35
34		Over 10,000 Gallons	\$ 1.50	\$ 1.744	\$ 1.64
35					
36					
37	1-inch Meter:	0 to 25,000 Gallons	\$ 1.30	\$ 1.625	\$ 1.35
38		Over 25,000 Gallons	\$ 1.50	\$ 1.744	\$ 1.64
39					
40	1 1/2-inch Meter:	0 to 50,000 Gallons	\$ 1.30	\$ 1.625	\$ 1.35
41		Over 50,000 Gallons	\$ 1.50	\$ 1.744	\$ 1.64
42					
43	2-inch Meter - Havasu	0 to 60,000 Gallons	\$ 1.55	\$ 1.944	\$ 1.35
44		Over 60,000 Gallons	\$ 1.87	\$ 2.174	\$ 1.64
45					
46	2-inch Meter	0 to 80,000 Gallons	\$ 1.30	\$ 1.625	\$ 1.35
47		Over 80,000 Gallons	\$ 1.50	\$ 1.744	\$ 1.64
48					
49	3-inch Meter	0 to 150,000 Gallons	\$ 1.30	\$ 1.625	\$ 1.35
50		Over 150,000 Gallons	\$ 1.50	\$ 1.744	\$ 1.64
51					
52	4-inch Meter - Havasu	0 to 110,000 Gallons	\$ 1.55	\$ 1.944	\$ 1.35
53		Over 110,000 Gallons	\$ 1.87	\$ 2.174	\$ 1.64
54					
55	4-inch Meter	0 to 250,000 Gallons	\$ 1.30	\$ 1.625	\$ 1.35
56		Over 250,000 Gallons	\$ 1.50	\$ 1.744	\$ 1.64
57					
58	6-inch Meter	0 to 500,000 Gallons	\$ 1.30	\$ 1.625	\$ 1.35
59		Over 500,000 Gallons	\$ 1.50	\$ 1.744	\$ 1.64
60					
61	8-inch Meter	0 to 1,125,000 Gallons	N/A	N/A	\$ 1.35
62		Over 1,125,000 Gallons	N/A	N/A	\$ 1.64
63					
64	10-inch Meter	0 to 1,500,000 Gallons	N/A	N/A	\$ 1.35
65		Over 1,500,000 Gallons	N/A	N/A	\$ 1.64
66					
67	12-inch Meter	0 to 2,250,000 Gallons	N/A	N/A	\$ 1.35
68		Over 2,250,000 Gallons	N/A	N/A	\$ 1.64
69					
70	Other Public Authorities - Monthly base charge per above meter size	All Usage	\$ 1.355	\$ 1.694	\$ 1.35

83
84 • Residential - two times the average bill. Non-residential - two and one-half times the estimated maximum bill.

		Present Service Line Charge	Present Meter Installation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	(a) Total Proposed Charge	Proposed Service Line Charge	Meter Installation Charge	Total Proposed Charge
87										\$ 500.00
88										\$ 575.00
89										\$ 660.00
90										\$ 900.00
91										\$ 1,525.00
92	Meter and Service Line Installation Charges									\$ 2,220.00
93	5/8 x 3/4-inch Meter	\$ 370.00	\$ 130.00	\$ 500.00	\$ 370.00	\$ 130.00	\$ 500.00	\$ 370.00	\$ 130.00	\$ 500.00
94	3/4-inch Meter	\$ 370.00	\$ 205.00	\$ 575.00	\$ 370.00	\$ 205.00	\$ 575.00	\$ 370.00	\$ 205.00	\$ 575.00
95	1-inch Meter	\$ 420.00	\$ 240.00	\$ 660.00	\$ 420.00	\$ 240.00	\$ 660.00	\$ 420.00	\$ 240.00	\$ 660.00
96	1-1/2-inch Meter	\$ 450.00	\$ 450.00	\$ 900.00	\$ 450.00	\$ 450.00	\$ 900.00	\$ 450.00	\$ 450.00	\$ 900.00
97	2-inch Turbine Meter	\$ 580.00	\$ 945.00	\$ 1,525.00	\$ 580.00	\$ 945.00	\$ 1,525.00	\$ 580.00	\$ 945.00	\$ 1,525.00
98	2-inch Compound Meter	\$ 580.00	\$ 1,640.00	\$ 2,220.00	\$ 580.00	\$ 1,640.00	\$ 2,220.00	\$ 580.00	\$ 1,640.00	\$ 2,220.00
99	3-inch Turbine Meter	\$ 745.00	\$ 1,420.00	\$ 2,165.00	\$ 745.00	\$ 1,420.00	\$ 2,165.00	\$ 745.00	\$ 1,420.00	\$ 2,165.00
100	3-inch Compound Meter	\$ 465.00	\$ 2,195.00	\$ 2,660.00	\$ 465.00	\$ 2,195.00	\$ 2,660.00	\$ 465.00	\$ 2,195.00	\$ 2,660.00
101	4-inch Turbine Meter	\$ 1,090.00	\$ 2,270.00	\$ 3,360.00	\$ 1,090.00	\$ 2,270.00	\$ 3,360.00	\$ 1,090.00	\$ 2,270.00	\$ 3,360.00
102	4-inch Compound Meter	\$ 1,120.00	\$ 3,145.00	\$ 4,265.00	\$ 1,120.00	\$ 3,145.00	\$ 4,265.00	\$ 1,120.00	\$ 3,145.00	\$ 4,265.00
103	6-inch Turbine Meter	\$ 1,610.00	\$ 4,425.00	\$ 6,035.00	\$ 1,610.00	\$ 4,425.00	\$ 6,035.00	\$ 1,610.00	\$ 4,425.00	\$ 6,035.00
104	6-inch Compound Meter	\$ 1,630.00	\$ 6,120.00	\$ 7,750.00	\$ 1,630.00	\$ 6,120.00	\$ 7,750.00	\$ 1,630.00	\$ 6,120.00	\$ 7,750.00
105	8-inch or Larger	N/A	N/A	N/A	N/A	N/A	N/A	Actual Cost	Actual Cost	Actual Cost

106
107 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM IT CUSTOMERS A PROPORTIONATE SHARE
108 OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409D(5).

109 COSTS AND FEES CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING

110 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE
111 ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,073	\$ 17.44	\$ 24.50	\$ 7.06	40.46%
Median Usage	N/A				
Staff Recommended					
Average Usage	8,073	\$ 17.44	\$ 18.45	\$ 1.01	5.81%
Median Usage	N/A				

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 8.75	\$ 12.00	37.14%	\$ 9.15	4.57%
1,000	9.60	13.47	40.32%	10.10	5.21%
2,000	10.45	14.94	42.99%	11.05	5.74%
3,000	11.30	16.41	45.25%	12.00	6.19%
4,000	12.15	17.88	47.19%	12.95	6.58%
5,000	13.45	19.51	45.05%	14.30	6.32%
6,000	14.75	21.13	43.28%	15.65	6.10%
7,000	16.05	22.76	41.80%	17.00	5.92%
8,000	17.35	24.38	40.54%	18.35	5.76%
9,000	18.65	26.01	39.46%	19.70	5.63%
8,073	17.44	24.50	40.46%	18.45	5.75%
10,000	19.95	27.63	38.52%	21.05	5.51%
11,000	21.45	29.38	36.96%	22.69	5.76%
12,000	22.95	31.12	35.61%	24.32	5.97%
13,000	24.45	32.87	34.42%	25.96	6.16%
14,000	25.95	34.61	33.37%	27.59	6.32%
15,000	27.45	36.35	32.44%	29.23	6.47%
16,000	28.95	38.10	31.60%	30.86	6.60%
17,000	30.45	39.84	30.84%	32.50	6.72%
18,000	31.95	41.59	30.16%	34.13	6.82%
19,000	33.45	43.33	29.54%	35.77	6.92%
20,000	34.95	45.07	28.97%	37.40	7.01%
25,000	42.45	53.79	26.72%	45.58	7.38%
30,000	49.95	62.51	25.15%	53.75	7.61%
35,000	57.45	71.23	23.99%	61.93	7.79%
40,000	64.95	79.95	23.10%	70.10	7.93%
45,000	72.45	88.67	22.39%	78.28	8.04%
50,000	79.95	97.39	21.82%	86.45	8.13%
75,000	117.45	140.99	20.05%	127.33	8.41%
100,000	154.95	184.59	19.13%	168.20	8.55%

Line No.	RATE DESIGN		
	Present Rates	Company Proposed	Staff Recommended
1	<u>Monthly Minimum</u>		
2	\$ 24.34	\$ 28.00	\$ 27.90
3	\$ 25.18	\$ 28.97	\$ 29.80
4	\$ 40.60	\$ 46.71	\$ 54.75
5	\$ 81.98	\$ 94.31	\$ 96.50
6	\$ 130.65	\$ 150.30	\$ 149.20
7	\$ 242.09	\$ 278.49	\$ 291.40
8	\$ 402.85	\$ 463.43	\$ 485.50
9	\$ 806.97	\$ 928.31	\$ 971.00
10	N/A	N/A	\$ 2,231.81
11	N/A	N/A	\$ 3,208.23
12	N/A	N/A	\$ 5,997.99
13			
14	\$ 5.00	\$ 25.00	\$ 10.00
15			
16	<u>Gallons in the Minimum</u>		
17			
18	<u>Commodity Rates</u>		
19	(Residential, Commercial, Industrial)	Per 1,000 Gallons	
20			
21	5/8 x 3/4-inch Meter Residential	0 - 25,000 Gallons	\$ 1.47
22		25,001 - 80,000 Gallons	\$ 2.55
23		Over 80,000 Gallons	\$ 3.51
24		0 - 4,000 Gallons	\$ 1.288
25		4,001 - 20,000 Gallons	\$ 2.233
26		20,001 - 65,000 Gallons	\$ 2.796
27		65,001 - 125,000 Gallons	\$ 3.359
28		Over 125,000 Gallons	\$ 3.879
29			
30	3/4-inch Meter Residential	0 - 25,000 Gallons	\$ 1.47
31		25,001 - 80,000 Gallons	\$ 2.55
32		Over 80,000 Gallons	\$ 3.51
33		0 - 4,000 Gallons	\$ 1.288
34		4,001 - 20,000 Gallons	\$ 2.233
35		20,001 - 65,000 Gallons	\$ 2.796
36		65,001 - 125,000 Gallons	\$ 3.359
37		Over 125,000 Gallons	\$ 3.879
38			
39	1-inch Meter Residential	0 - 25,000 Gallons	\$ 1.47
40		25,001 - 80,000 Gallons	\$ 2.55
41		Over 80,000 Gallons	\$ 3.51
42		0 - 4,000 Gallons	\$ 1.288
43		4,001 - 20,000 Gallons	\$ 2.233
44		20,001 - 65,000 Gallons	\$ 2.796
45		65,001 - 125,000 Gallons	\$ 3.359
46		Over 125,000 Gallons	\$ 3.879
47			
48	1-1/2-inch Meter Residential	0 - 25,000 Gallons	\$ 1.47
49		25,001 - 80,000 Gallons	\$ 2.55
50		Over 80,000 Gallons	\$ 3.51
51		0 - 4,000 Gallons	\$ 1.288
52		4,001 - 20,000 Gallons	\$ 2.233
53		20,001 - 65,000 Gallons	\$ 2.796
54		65,001 - 125,000 Gallons	\$ 3.359
55		Over 125,000 Gallons	\$ 3.879
56			
57	2-inch Meter Residential	0 - 25,000 Gallons	\$ 1.47
58		25,001 - 80,000 Gallons	\$ 2.55
59		Over 80,000 Gallons	\$ 3.51
60		0 - 4,000 Gallons	\$ 1.288
61		4,001 - 20,000 Gallons	\$ 2.233
62		20,001 - 65,000 Gallons	\$ 2.796
63		65,001 - 125,000 Gallons	\$ 3.359
64		Over 125,000 Gallons	\$ 3.879
65			
66	5/8-inch Meter Commercial	0 to 400,000 Gallons	\$ 2.02
67		Over 400,000 Gallons	\$ 2.43
68			
69	3/4-inch Meter Commercial	0 to 400,000 Gallons	\$ 2.02
70		Over 400,000 Gallons	\$ 2.43
71			
72	1-inch Meter Commercial	0 to 400,000 Gallons	\$ 2.02
73		Over 400,000 Gallons	\$ 2.43
74			
75	1 1/2-inch Meter Commercial:	0 to 400,000 Gallons	\$ 2.02
76		Over 400,000 Gallons	\$ 2.43
77			
78	2-inch Meter	0 to 400,000 Gallons	\$ 2.02
79		Over 400,000 Gallons	\$ 2.43
80			
81	3-inch Meter	0 to 400,000 Gallons	\$ 2.02
82		Over 400,000 Gallons	\$ 2.43
83			
84	4-inch Meter	0 to 400,000 Gallons	\$ 2.02
85		Over 400,000 Gallons	\$ 2.43
86			
87	6-inch Meter	0 to 400,000 Gallons	\$ 2.02
88		Over 400,000 Gallons	\$ 2.43
89			
90	3-inch Meter Turf Customer	All Gallons	\$ 1.76
91			
92	4-inch Meter Turf Customer	All Gallons	\$ 1.76
93			
94	6-inch Meter Paradise Valley Country Club	All Gallons	\$ 1.25
95			
96	Other Public Authorities - Monthly		
97	base charge per above meter size	All Usage	\$ 1.95
98			

	Present Rates	Company Proposed	Staff Recommended
99			
100 <u>Service Charges</u>			
101 Establishment of Service:			
102 Regular Hours	\$ 20.00	\$ 20.00	\$ 20.00
103 After Hours	\$ 40.00	\$ 40.00	\$ 40.00
104 Re-establishment of Service within 12 Months:			
105 Monthly Minimum times Months Disconnected			
106 From the Water System [Per ACC Rule 14-2-403(D)]			
107 Reconnection of Service (Delinquent):			
108 Regular Hours	\$ 30.00	\$ 30.00	\$ 30.00
109 After Hours	\$ 60.00	\$ 60.00	\$ 60.00
110 Water Meter Test (If Correct)	\$ 15.00	\$ 15.00	\$ 15.00
111 Meter Re-Read (If Correct)	\$ 10.00	\$ 10.00	\$ 10.00
112 NSF Check Charge	\$ 12.00	\$ 12.00	\$ 12.00
113 Late Fee Charge	1.5% Per Month	1.5% Per Month	1.5% Per Month
114 Deposit Requirements Residential	**	**	**
115 Deposit Requirements Non-Residential	**	**	**
116 Deposit Interest	***	***	***

117
118 ** Residential - two times the average bill. Non-residential - two and one-half times the estimated maximum bill.

119
120 *** Interest per [Per ACC Rule 14-2-403(B)]

	Total Present Charge	Total Proposed Charge	Staff Proposed Service Line Charge	Staff Proposed Meter Installation Charge	Staff Total Proposed Charge
121					
122					
123					
124					
125					
126					
127 <u>Meter and Service Line Installation Charges</u>					
128 5/8 x 3/4-inch Meter	\$ 480.00	Actual Cost	\$ 445.00	\$ 155.00	\$ 600.00
129 3/4-inch Meter	\$ 560.00	Actual Cost	\$ 445.00	\$ 255.00	\$ 700.00
130 1-inch Meter	\$ 650.00	Actual Cost	\$ 495.00	\$ 315.00	\$ 810.00
131 1 1/2-inch Meter	\$ 895.00	Actual Cost	\$ 550.00	\$ 525.00	\$ 1,075.00
132 2-inch Meter	\$ 1,555.00	Actual Cost	\$ 830.00	\$ 1,045.00	\$ 1,875.00
133 3-inch Meter	\$ 2,235.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost
134 4-inch Meter	\$ 3,440.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost
135 6-inch Turbine Meter	\$ 6,195.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost
136 Over 6-inch	N/A	Actual Cost	Actual Cost	Actual Cost	Actual Cost

137
138
139 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM IT CUSTOMERS A PROPORTIONATE SHARE
140 OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409D(5).

141
142 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING
143 ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.

144

Typical Bill Analysis
General Service 3/4-inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	20,493	\$ 49.20	\$ 70.54	\$ 21.34	43.37%
Median Usage	N/A				
Staff Recommended					
Average Usage	20,493	\$ 49.20	\$ 57.99	\$ 8.79	17.86%
Median Usage	N/A				

Present & Proposed Rates (Without Taxes)
General Service 3/4-inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 24.34	\$ 28.00	15.04%	\$ 27.90	14.62%
1,000	25.55	29.29	14.62%	29.37	14.92%
2,000	26.77	30.58	14.23%	30.83	15.20%
3,000	27.98	31.86	13.89%	32.30	15.45%
4,000	29.19	33.15	13.57%	33.77	15.68%
5,000	30.41	35.39	16.38%	35.24	15.90%
6,000	31.62	37.62	18.98%	36.71	16.09%
7,000	32.83	39.85	21.38%	38.18	16.28%
8,000	34.04	42.08	23.62%	39.64	16.45%
9,000	35.26	44.32	25.70%	41.11	16.61%
20,493	49.20	70.54	43.37%	57.99	17.86%
10,000	36.47	46.55	27.64%	42.58	16.75%
11,000	37.68	48.78	29.46%	44.05	16.89%
12,000	38.90	51.02	31.16%	45.52	17.02%
13,000	40.11	53.25	32.76%	46.98	17.14%
14,000	41.32	55.48	34.27%	48.45	17.26%
15,000	42.54	57.72	35.69%	49.92	17.36%
16,000	43.75	59.95	37.03%	51.39	17.47%
17,000	44.96	62.18	38.30%	52.86	17.56%
18,000	46.17	64.41	39.50%	54.33	17.65%
19,000	47.39	66.65	40.64%	55.79	17.74%
20,000	48.60	68.88	41.73%	57.26	17.82%
25,000	54.67	85.68	56.73%	84.60	18.18%
30,000	65.18	102.47	57.21%	77.33	18.64%
35,000	75.70	119.27	57.56%	90.05	18.97%
40,000	86.21	136.06	57.82%	102.78	19.22%
45,000	96.73	152.86	58.03%	115.51	19.42%
50,000	107.24	169.65	58.20%	128.23	19.57%
75,000	159.82	253.63	58.70%	191.86	20.05%
100,000	210.99	337.60	60.01%	274.71	30.20%

RATE DESIGN

Line No.		Present Rates	Company Proposed	Staff Recommended
1	<u>Monthly Minimum</u>			
2	5/8 x 3/4-inch Meter	\$ 9.57	\$ 15.00	\$ 15.30
3	1-inch Meter	\$ 24.40	\$ 38.24	\$ 38.00
4	1 1/2-inch Meter	\$ 52.28	\$ 81.94	\$ 80.00
5	2-inch Meter	\$ 76.68	\$ 120.19	\$ 125.00
6	3-inch Meter	\$ 132.43	\$ 207.57	\$ 240.00
7	4-inch Meter	\$ 196.90	\$ 308.62	\$ 375.00
8	6-inch Meter	\$ 270.08	\$ 423.32	\$ 750.00
9	8-inch Meter	N/A	N/A	\$ 1,200.00
10	10-inch Meter	N/A	N/A	\$ 1,725.00
11	12-inch Meter	N/A	N/A	\$ 3,225.00
12				
13				
14	<u>Monthly Service Charge for Fire Sprinkler</u>			
15	4-inch or Smaller Meter	No Usage	\$ 35.22	\$ 70.44
16	6-inch Meter	No Usage	\$ 52.84	\$ 105.68
17	8-inch Meter	No Usage	\$ 70.45	\$ 140.90
18				\$ 56.24
19				\$ 84.38
20	<u>Gallons in the Minimum</u>			\$ 112.50
21				
22				
23	<u>Commodity Rates</u>			
24	<u>(Residential, Commercial, Industrial)</u>			
25				
26	5/8 x 3/4-inch Meter Residential	0 - 4,000 Gallons	\$ 1.31	\$ 2.880
27		4,001 - 15,000 Gallons	\$ 1.74	\$ 3.171
28		Over 15,000 Gallons	\$ 2.01	\$ 3.413
29				\$ 2.33
30	5/8 x 3/4-inch Meter Commercial	0 to 15,000 Gallons	\$ 1.74	\$ 3.171
31		Over 15,000 Gallons	\$ 2.01	\$ 3.413
32				\$ 2.85
33	1-inch Meter:	0 to 40,000 Gallons	\$ 1.74	\$ 3.171
34		Over 40,000 Gallons	\$ 2.01	\$ 3.413
35				\$ 2.85
36	1 1/2-inch Meter:	0 to 100,000 Gallons	\$ 1.74	\$ 3.171
37		Over 100,000 Gallons	\$ 2.01	\$ 3.413
38				\$ 2.85
39	2-inch Meter	0 to 150,000 Gallons	\$ 1.74	\$ 3.171
40		Over 150,000 Gallons	\$ 2.01	\$ 3.413
41				\$ 2.85
42	3-inch Meter	0 to 275,000 Gallons	\$ 1.74	\$ 3.171
43		Over 275,000 Gallons	\$ 2.01	\$ 3.413
44				\$ 2.85
45	4-inch Meter	0 to 400,000 Gallons	\$ 1.74	\$ 3.171
46		Over 400,000 Gallons	\$ 2.01	\$ 3.413
47				\$ 2.85
48	6-inch Meter	0 to 550,000 Gallons	\$ 1.74	\$ 3.171
49		Over 550,000 Gallons	\$ 2.01	\$ 3.413
50				\$ 2.85
51	8-inch Meter	0 to 1,402,000 Gallons	\$ 1.74	\$ 3.171
52		Over 1,402,000 Gallons	\$ 2.01	\$ 3.413
53				\$ 2.85
54	10-inch Meter	0 to 2,100,000 Gallons	\$ 1.74	\$ 3.171
55		Over 2,100,000 Gallons	\$ 2.01	\$ 3.413
56				\$ 2.85
57	12-inch Meter	0 to 4,110,000 Gallons	\$ 1.74	\$ 3.171
58		Over 4,110,000 Gallons	\$ 2.01	\$ 3.413
59				\$ 2.85

	Present Rates	Company Proposed	Staff Recommended
60 Service Charges			
61 Establishment Re-establishment and/or reconnection of Service:			
62 Regular Hours	\$ 30.00	\$ 30.00	\$ 30.00
63 After Hours	\$ 40.00	\$ 40.00	\$ 40.00
64 Water Meter Test (If Correct)	\$ 10.00	\$ 81.00	\$ 10.00
65 Meter Re-Read (If Correct)	\$ 5.00	\$ 5.00	\$ 5.00
66 NSF Check Charge	\$ 10.00	\$ 10.00	\$ 25.00
67 Late Fee Charge	1.5% Per Month	1.5% Per Month	1.5% Per Month
68 Deposit Requirements Residential	---	---	---
69 Deposit Requirements Non-Residential	---	---	---
70 Deposit Interest	---	---	---

71 ** Residential - two times the average bill. Non-residential - two and one-half times the estimated maximum bill.

72 *** Interest per [Per ACC Rule 14-2-403(B)]

	Present Service Line Charge	Present Meter Installation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	(a) Total Proposed Charge	Staff Proposed Service Line Charge	Staff Proposed Meter Installation Charge	Staff Total Proposed Charge
73 Meter and Service Line Installation Charges									
74 5/8 x 3/4-inch Meter	\$ 370.00	\$ 130.00	\$ 500.00	\$ 370.00	\$ 130.00	\$ 500.00	\$ 370.00	\$ 130.00	\$ 500.00
75 3/4-inch Meter	\$ 370.00	\$ 205.00	\$ 575.00	\$ 370.00	\$ 205.00	\$ 575.00	\$ 370.00	\$ 205.00	\$ 575.00
76 1-inch Meter	\$ 420.00	\$ 240.00	\$ 660.00	\$ 420.00	\$ 240.00	\$ 660.00	\$ 420.00	\$ 240.00	\$ 660.00
77 1 1/2-inch Meter	\$ 450.00	\$ 450.00	\$ 900.00	\$ 450.00	\$ 450.00	\$ 900.00	\$ 450.00	\$ 450.00	\$ 900.00
78 2-inch Turbine Meter	\$ 580.00	\$ 945.00	\$ 1,525.00	\$ 580.00	\$ 945.00	\$ 1,525.00	\$ 580.00	\$ 945.00	\$ 1,525.00
79 2-inch Compound Meter	\$ 580.00	\$ 1,640.00	\$ 2,220.00	\$ 580.00	\$ 1,640.00	\$ 2,220.00	\$ 580.00	\$ 1,640.00	\$ 2,220.00
80 3-inch Turbine Meter	\$ 745.00	\$ 1,420.00	\$ 2,165.00	\$ 745.00	\$ 1,420.00	\$ 2,165.00	\$ 745.00	\$ 1,420.00	\$ 2,165.00
81 3-inch Compound Meter	\$ 485.00	\$ 2,195.00	\$ 2,680.00	\$ 485.00	\$ 2,195.00	\$ 2,680.00	\$ 485.00	\$ 2,195.00	\$ 2,680.00
82 4-inch Turbine Meter	\$ 1,090.00	\$ 2,270.00	\$ 3,360.00	\$ 1,090.00	\$ 2,270.00	\$ 3,360.00	\$ 1,090.00	\$ 2,270.00	\$ 3,360.00
83 4-inch Compound Meter	\$ 1,120.00	\$ 3,145.00	\$ 4,265.00	\$ 1,120.00	\$ 3,145.00	\$ 4,265.00	\$ 1,120.00	\$ 3,145.00	\$ 4,265.00
84 6-inch Turbine Meter	\$ 1,610.00	\$ 4,425.00	\$ 6,035.00	\$ 1,610.00	\$ 4,425.00	\$ 6,035.00	\$ 1,610.00	\$ 4,425.00	\$ 6,035.00
85 6-inch Compound Meter	\$ 1,630.00	\$ 6,120.00	\$ 7,750.00	\$ 1,630.00	\$ 6,120.00	\$ 7,750.00	\$ 1,630.00	\$ 6,120.00	\$ 7,750.00
86 8-inch or Larger	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

99 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM IT CUSTOMERS A PROPORTIONATE SHARE
100 OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409D(5).

101 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING

102 ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.

104

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,704	\$ 19.51	\$ 35.09	\$ 15.58	79.83%
Median Usage	N/A				
Staff Recommended					
Average Usage	6,704	\$ 19.51	\$ 32.33	\$ 12.81	65.65%
Median Usage	N/A				

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 9.57	\$ 15.00	56.74%	\$ 15.30	59.87%
1,000	10.88	17.88	64.34%	17.63	62.06%
2,000	12.19	20.76	70.30%	19.97	63.78%
3,000	13.50	23.64	75.11%	22.30	65.17%
4,000	14.81	26.52	79.07%	24.63	66.31%
5,000	16.55	29.69	79.40%	27.48	66.02%
6,000	18.29	32.86	79.67%	30.32	65.79%
7,000	20.03	36.03	79.90%	33.17	65.60%
8,000	21.77	39.20	80.08%	36.02	65.44%
9,000	23.51	42.38	80.24%	38.86	65.30%
6,704	19.51	35.09	79.83%	32.33	65.65%
10,000	25.25	45.55	80.38%	41.71	65.18%
11,000	26.99	48.72	80.50%	44.55	65.08%
12,000	28.73	51.89	80.61%	47.40	64.99%
13,000	30.47	55.06	80.70%	50.25	64.91%
14,000	32.21	58.23	80.78%	53.09	64.84%
15,000	33.95	61.40	80.86%	55.94	64.77%
16,000	35.96	64.81	80.24%	59.38	65.13%
17,000	37.97	68.23	79.69%	62.82	65.45%
18,000	39.98	71.64	79.19%	66.26	65.73%
19,000	41.99	75.05	78.74%	69.70	65.99%
20,000	44.00	78.47	78.33%	73.14	66.23%
25,000	54.05	95.53	76.75%	90.34	67.14%
30,000	64.10	112.60	75.66%	107.54	67.77%
35,000	74.15	129.66	74.86%	124.74	68.23%
40,000	84.20	146.73	74.26%	141.94	68.58%
45,000	94.25	163.79	73.78%	159.14	68.85%
50,000	104.30	180.86	73.40%	176.34	69.07%
75,000	154.55	266.18	72.23%	262.35	69.75%
100,000	204.80	351.51	71.63%	348.35	70.09%

RATE DESIGN

Line No.		Present Rates	Company Proposed	Staff Recommended
1	<u>Monthly Minimum</u>			
2	5/8 x 3/4-inch Meter	\$ 19.68	\$ 32.50	\$ 28.00
3	1-inch Meter	\$ 29.63	\$ 48.63	\$ 70.00
4	1 1/2-inch Meter	\$ 59.26	\$ 97.86	\$ 140.00
5	2-inch Meter	\$ 97.49	\$ 161.00	\$ 224.00
6	3-inch Meter	\$ 115.65	\$ 190.99	\$ 448.00
7	4-inch Meter	\$ 169.18	N/A	\$ 700.00
8	6-inch Meter	\$ 231.30	N/A	\$ 1,400.00
9	8-inch Meter	\$ 1,577.08	N/A	\$ 2,240.00
10	10-inch Meter	N/A	N/A	\$ 3,220.00
11	12-inch Meter	N/A	N/A	\$ 6,020.00
12				
13				
14	<u>Gallons in the Minimum</u>			
15				
16				
17	<u>Commodity Rates</u>			
18	<u>(Residential and Commercial)</u>			
		<u>Per 1,000 Gallons</u>		
19				
20	5/8 x 3/4-inch Meter Residential			
21		Block		
22		0 - 4,000 Gallons	\$ 1.89	\$ 2.76
23		4,001 - 20,000 Gallons	\$ 2.85	\$ 4.15
24		Over 20,000 Gallons	\$ 3.41	\$ 5.25
25	5/8 x 3/4-inch Meter Commercial			
26		0 to 20,000 Gallons	\$ 2.85	\$ 4.15
27		Over 20,000 Gallons	\$ 3.41	\$ 5.25
28	1-inch Meter:			
29		0 to 35,000 Gallons	\$ 2.85	\$ 4.15
30		Over 35,000 Gallons	\$ 3.41	\$ 5.25
31	1 1/2-inch Meter:			
32		0 to 85,000 Gallons	\$ 2.85	\$ 4.15
33		Over 85,000 Gallons	\$ 3.41	\$ 5.25
34	2-inch Meter			
35		0 to 150,000 Gallons	\$ 2.85	\$ 4.15
36		Over 150,000 Gallons	\$ 3.41	\$ 5.25
37	3-inch Meter			
38		0 to 175,000 Gallons	\$ 2.85	\$ 4.15
39		Over 175,000 Gallons	\$ 3.41	\$ 5.25
40	4-inch Meter			
41		0 to 250,000 Gallons	\$ 2.85	\$ 4.15
42		Over 250,000 Gallons	\$ 3.41	\$ 5.25
43	6-inch Meter			
44		0 to 350,000 Gallons	\$ 2.85	\$ 4.15
45		Over 350,000 Gallons	\$ 3.41	\$ 5.25
46	8-inch Meter			
47		0 to 900,000 Gallons	\$ 2.85	\$ 4.15
48		Over 900,000 Gallons	\$ 3.41	\$ 5.25
49	10-inch Meter			
50		0 to 1,500,000 Gallons	N/A	\$ 4.15
51		Over 1,500,000 Gallons	N/A	\$ 5.25
52	12-inch Meter			
53		0 to 2,250,000 Gallons	N/A	\$ 4.15
54		Over 2,250,000 Gallons	N/A	\$ 5.25

	Present Rates	Company Proposed	Staff Recommended
55 Service Charges			
56 Establishment Re-establishment and/or reconnection of Service:			
57 Regular Hours	\$ 30.00	\$ 30.00	\$ 30.00
58 After Hours	\$ 45.00	\$ 45.00	\$ 45.00
59 Water Meter Test (If Correct)	\$ 10.00	\$ 10.00	\$ 10.00
60 Meter Re-Read (If Correct)	\$ 5.00	\$ 5.00	\$ 5.00
61 NSF Check Charge	\$ 10.00	\$ 10.00	\$ 25.00
62 Late Fee Charge	N/A	N/A	1.5% Per Month
63 Deferred Payment Finance Charge	N/A	N/A	1.5% Per Month
64 Deposit Requirements Residential	**	**	**
65 Deposit Requirements Non-Residential	**	**	**
66 Deposit Interest	***	***	***

67 ** Residential - two times the average bill. Non-residential - two and one-half times the estimated maximum bill.

68 *** Interest per [Per ACC Rule 14-2-403(B)]

	Present Service Line Charge	Present Meter Installation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	(a) Total Proposed Charge	Staff Proposed Service Line Charge	Staff Proposed Meter Installation Charge	Staff Total Proposed Charge
79 Meter and Service Line Installation Charges									
80 5/8 x 3/4-inch Meter	\$ 370.00	\$ 130.00	\$ 500.00	Actual Cost	Actual Cost	Actual Cost	\$ 445.00	\$ 155.00	\$ 600.00
81 3/4-inch Meter	\$ 370.00	\$ 205.00	\$ 575.00	Actual Cost	Actual Cost	Actual Cost	\$ 445.00	\$ 255.00	\$ 700.00
82 1-inch Meter	\$ 420.00	\$ 240.00	\$ 660.00	Actual Cost	Actual Cost	Actual Cost	\$ 495.00	\$ 315.00	\$ 810.00
83 1 1/2-inch Meter	\$ 450.00	\$ 450.00	\$ 900.00	Actual Cost	Actual Cost	Actual Cost	\$ 550.00	\$ 525.00	\$ 1,075.00
84 2-inch Turbine Meter	\$ 580.00	\$ 945.00	\$ 1,525.00	Actual Cost	Actual Cost	Actual Cost	\$ 830.00	\$ 1,045.00	\$ 1,875.00
85 2-inch Compound Meter	\$ 580.00	\$ 1,640.00	\$ 2,220.00	Actual Cost	Actual Cost	Actual Cost	\$ 830.00	\$ 1,890.00	\$ 2,720.00
86 3-inch Turbine Meter	\$ 745.00	\$ 1,420.00	\$ 2,165.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
87 3-inch Compound Meter	\$ 465.00	\$ 2,195.00	\$ 2,660.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
88 4-inch Turbine Meter	\$ 1,090.00	\$ 2,270.00	\$ 3,360.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
89 4-inch Compound Meter	\$ 1,120.00	\$ 3,145.00	\$ 4,265.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
90 6-inch Turbine Meter	\$ 1,610.00	\$ 4,425.00	\$ 6,035.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
91 6-inch Compound Meter	\$ 1,630.00	\$ 6,120.00	\$ 7,750.00	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
92 8-inch or Larger	At Cost	At Cost	At Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost

93 An applicant for water service shall pay to the Company, as a refundable advance in aid of construction the full cost to provide the new service line and meter.

94 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM IT CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409D(5).

95 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	11,797	\$ 49.46	\$ 85.44	\$ 35.97	72.73%
Median Usage	N/A				
Staff Recommended					
Average Usage	11,797	\$ 49.46	\$ 71.40	\$ 21.94	44.35%
Median Usage	N/A				

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 19.68	\$ 32.50	65.14%	\$ 28.00	42.29%
1,000	21.57	36.28	68.20%	30.76	42.62%
2,000	23.46	40.06	70.76%	33.52	42.89%
3,000	25.35	43.84	72.94%	36.28	43.12%
4,000	27.24	47.62	74.82%	39.04	43.32%
5,000	30.09	52.47	74.38%	43.19	43.54%
6,000	32.94	57.32	74.01%	47.34	43.72%
7,000	35.79	62.17	73.71%	51.49	43.87%
8,000	38.64	67.02	73.45%	55.64	44.00%
9,000	41.49	71.87	73.22%	59.79	44.11%
11,797	49.46	85.44	72.73%	71.40	44.35%
10,000	44.34	76.72	73.03%	63.94	44.20%
11,000	47.19	81.57	72.85%	68.09	44.29%
12,000	50.04	86.42	72.70%	72.24	44.37%
13,000	52.89	91.27	72.57%	76.39	44.43%
14,000	55.74	96.12	72.44%	80.54	44.49%
15,000	58.59	100.97	72.33%	84.69	44.55%
16,000	61.44	105.82	72.23%	88.84	44.60%
17,000	64.29	110.67	72.14%	92.99	44.64%
18,000	67.14	115.52	72.06%	97.14	44.68%
19,000	69.99	120.37	71.98%	101.29	44.72%
20,000	72.84	125.22	71.91%	105.44	44.76%
25,000	89.89	149.97	66.84%	131.69	46.50%
30,000	106.94	174.72	63.38%	157.94	47.69%
35,000	123.99	199.47	60.88%	184.19	48.55%
40,000	141.04	224.22	58.98%	210.44	49.21%
45,000	158.09	248.97	57.49%	236.69	49.72%
50,000	175.14	273.72	56.29%	262.94	50.13%
75,000	260.39	397.47	52.64%	394.19	51.38%
100,000	345.64	521.22	50.80%	525.44	52.02%